Austria Sch 15	Indonesia Rp 2500	Portugal Esc 65
Bahrain Din 0.650	Italy L 1100	S Arabia Rls 6.00
Belgium BFr 35	Japan Y 550	Singapore S$ 4.10
Canada C$1.00	Jordan Fils 500	Spain Pta 95
Cyprus Mils 600	Kuwait Fils 500	Sri Lanka Rup 30
Denmark DKr 7.00	Lebanon L 6.00	Sweden Skr 6.50
Egypt [illegible]	Luxembourg LFr 35	Switzerland SwFr 2
Finland Fmk 5.50	Malaysia Rm 4.75	Taiwan NT$ 65
France FFr 5.50	Mexico Pes 300	Tunisia Din 0.600
Germany DM 2.00	Morocco Dh 6.00	Turkey L 160
Greece Dr 80	Netherlands Fl 2.25	U A E Dh 6.50
Hong Kong HK$ 12	Norway Nkr 6.00	U S A $1.50
India Rup 15	Philippines Pes 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,203 Thursday December 22 1983 D 8523 B

Prudential opts for the acorn route, Page 13

NEWS SUMMARY

GENERAL

Austerity budget for Brazil

Brazil's Government has approved an exceptionally tough austerity budget for next year.

Virtually all subsidised credit for the key agriculture and export sectors of the economy, a big source of public spending, is to be eliminated. The moves are likely to gratify Brazil's foreign creditors, while deepening the three-year-old domestic recession.

Two new banknotes, for Cr 10,000 and Cr 50,000, are to be introduced. The present biggest one Cr 5,000 is worth just over $5. Page 12

IRA bomb: 4 held

London police detained four people during the investigation of the IRA bombing outside Harrods store on Saturday.

Moroccan attack

The Polisario Front, fighting Morocco for control of Western Sahara, said 25,000 Moroccan troops launched a big offensive in the territory with tanks and aircraft.

Curb on meetings

Kuwait banned meetings of over 20 people without official permission, in the wake of fatal bomb attacks earlier this month.

Sudan rebels hit

Sudan said government troops broke a rebel siege of a southern town, Nasir, and inflicted heavy losses on the insurgents, who fled towards Ethiopia.

Bombs in Turkey

Two bombs exploded in Istanbul and Ankara, injuring five people, and another was defused in Izmir. An Iranian and a Syrian were arrested, and Premier Turgut Ozal said the blasts seemed aimed at targets connected with Middle East fighting.

Extradition order

Alleged terrorist Luciano Petrone must return to Italy to stand trial for murdering two Rome policemen, the London High Court ruled.

N-leak warning

British Nuclear Fuels may face prosecution over radioactive discharges into the sea from its Sellafield (Windscale) plant in north England. Page 5

Argentine arrest

Two leaders of an outlawed terrorist group returned to Argentina to announce the group's dissolution. One, former Cordoba governor Ricardo Obregon Cano, was arrested by airport police. Page 4

Anti-Mafia warrant

Italy's "casino blitz" against people accused of helping the Mafia to launder funds has brought an arrest warrant for Sig Mario Andrione, President of the Valle d'Aosta regional government.

Dissident sentenced

Hungarian dissident Gabor Demszky was given a six-month suspended sentence for assaulting two policemen. He denies the charge and is to appeal.

Wellington wins

Belgian Finance Minister Willy de Clercq rejected a budget amendment that would have stopped a BFr 100,000 ($1,750) annuity paid to the British Duke of Wellington since his ancestor won the battle of Waterloo.

BUSINESS

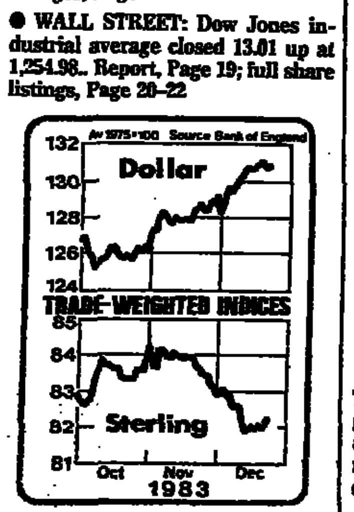
Dutch reject Taiwan sub deal

● DUTCH Government yesterday refused to approve the sale of four more submarines to Taiwan, deciding this would have "serious consequences" for its relations with China. The sale of two submarines three years ago precipitated a crisis in Sino-Dutch relations which has still not been settled. Parliament is expected to approve the decision to refuse an export licence. Page 12

● LONDON: Equities continued higher, the FT Industrial Ordinary index gaining 2.2 to a record 772.0. Report, Page 23; FT share information service, Pages 24–25

● TOKYO shares also reached new peaks. The Nikkei Dow Index rose 89.72 to 9,717.65, its second consecutive record. The Stock Exchange index added 3.74 at 712.27. Report, Page 19; leading prices, other exchanges, Page 22

● WALL STREET: Dow Jones industrial average closed 13.01 up at 1,254.98. Report, Page 19; full share listings, Pages 20–22



● DOLLAR firmed in London, although lower U.S. estimates than expected of fourth-quarter GNP drew it back from its peaks. It closed higher at DM 2.7715 (DM 2.766), FFr 8.46 (FFr 8.4475), SwFr 2.214 (SwFr 2.205) and Y234.9 (Y234.7). In New York it closed at DM 2.7690; SwFr 2.2136; FFr 8.455 and Y234.75. Its trade-weighted index was 130.9 (130.8). Page 29

● STERLING rose 35 points in London to $1.4225, and was higher at DM 3.945 (DM 3.9275), FFr 12.03 (FFr 11.985), SwFr 3.15 (SwFr 3.13) and Y334.25 (Y333.25). In New York it closed at $1.4250. Its trade weighting was 82.3 (81.9). Page 29

● GOLD rose 50 cents in London to $378.375. It added 50 cents at $378.75 in Zurich and 75 cents at $378.75 in Frankfurt. In New York, the Comex December settlement was $377.8 ($379.4). Page 28

● *SWISS economy showed its first* improvement since early 1982. Third-quarter GDP rose 0.3 per cent in real terms over the same period last year.

● EEC inflation slowed last month, to an annual 8.1 per cent, against 8.4 per cent in October. West Germany's was 2.6 per cent, Greece's 19.8 per cent.

● JAPAN seems likely to pass Britain as the biggest foreign investor in Australia, new figures suggest. Japanese investment in 1982-83 rose 71 per cent to A$2.67bn ($2.4bn). Page 3

● TOYO KOGYO, maker of Mazda cars, reported record unconsolidated recurring profits of Y45.2bn ($193m), up 4.4 per cent, for the year. It is to be renamed Mazda Motor Corporation. Page 13

● ZAHNRADFABRIK PASSAU, West German transmission maker, is to join International Harvester of the U.S. in making transaxles for tractors in France and the UK. Page 13.

● POLLY PECK, fast-growing British citrus fruit and packaging group, is to raise up to £5m ($7m) of long-term capital. Page 16; Lex, Page 12

AT&T buys 25% of Olivetti to forge major link

BY ALAN FRIEDMAN IN ROME

American Telephone and Telegraph (AT&T) will spend $260m to acquire 25 per cent of Olivetti, Europe's leading data processing equipment company, as part of "an industrial, commercial and financial alliance" which is to involve joint product development, distribution and technological co-operation.

The nine-year agreement, announced yesterday, restricts AT&T's stake to 25 per cent for the first four years, after which the U.S. group – the world's largest telecommunications company – will be allowed to increase its holding to 40 per cent.

AT&T has agreed to purchase $250m of Olivetti products in the initial 12 months, which start in mid-1984.

Sig Carlo de Benedetti, chairman of Olivetti, yesterday described the new partnership as "the only alliance which can compete with IBM on a world level." He had ruled out a link between Olivetti and another European company because "there are no European partners who could strengthen us in terms of products and technology in the way AT&T can."

Sig de Benedetti said at the start of negotiations a year ago AT&T wanted majority control of Olivetti, but this was refused on the ground that Olivetti had to retain its own independence and European identity. "If everything works the way we expect it to, there is no reason why AT&T will not go to 40 per cent in four years' time."

AT&T's 25 per cent shareholding will be achieved by the issue of 100m new Olivetti shares, bringing the total number of shares to 430m. The De Benedetti family's stake in Olivetti, held through CIR, a family holding company, will be diluted from 20 to 18 per cent.

AT&T is paying L4,300 a share which represents a premium of nearly 13 per cent over Olivetti's closing share price on the Milan bourse last night, L3,811. In afternoon trading the price was pitched at L3,950.

The AT&T deal places a market value of more than $1bn on Olivetti, which will this year make record profits, according to Sig De Benedetti. He said Olivetti's 1983 turnover would also be a record, at more than L3,600bn ($2.1bn).

That compares with a forecast of more than $56bn of revenue for AT&T as it is now constituted in 1984 and predicted net income of $2.1bn.

On January 1, however, the telecommunications group will be split up, with AT&T itself retaining long-distance telephone network and international interests.

Mr Robert Sageman, president of AT&T International, said in Rome last night the alliance with Olivetti "marks the beginning of a very warm and long-term relationship." The two companies would comple-

Continued on Page 12

Olivetti teams with a colossus, Page 10; Lex Page 12

Beirut truck-bomb raids on French, U.S. troops

BY NORA BOUSTANY IN BEIRUT AND OUR CORRESPONDENT IN TEL AVIV

THE FRENCH and U.S. contingents in the Lebanese multinational peacekeeping force came under renewed attack yesterday in another spate of truck bombings.

A huge blast rocked the area around the headquarters of France's 3rd parachute regiment last night, killing at least one paratrooper and wounding 10 others and almost demolishing a three-storey building. Many civilians were wounded.

Five minutes earlier, another bomb killed at least four people at a hotel said to have been used by off-duty U.S. marines. The ground floor of the Marble Tower Hotel was wrecked by the explosion. A marine who escaped the blast said none of his colleagues had been in the hotel at the time.

At least 14 people died in the two explosions, with dozens injured.

Witnesses reported that a truck had drawn up outside the French base and the driver leaped out moments before the explosion.

The French have come under increased pressure during the past few days in Beirut. Last week two French soldiers were killed, the first casualties since 58 died in the first October attack on their headquarters. Yesterday morning a French position in West Beirut was hit by rocket and small arms fire.

Earlier yesterday, Israel launched an air strike deep inside Lebanon and announced that its war against Palestinian guerrillas would continue unabated after the evacuation of Mr Yassir Arafat's forces from Tripoli.

The Israeli aircraft raided an Iranian-backed Shia militia base in territory controlled by Syria near Baalbek, in the northern Bekaa Valley.

The base is reported to be a training centre for a group led by Mr Hussein Moussawa. The Israelis say the group was almost certainly responsible for the car bomb attacks that destroyed Israeli, French and American bases in Lebanon earlier this year.

Defence Minister Moshe Arens said that now Mr Arafat's guerrillas have left Tripoli, the military campaign will be aimed at the Syrian-supported Palestinian rebels who forced his evacuation.

"We will continue to let Syria know that as long as terrorist gangs in Lebanon in areas under Syrian control are not destroyed, we will hit terrorist targets there as we did this morning," he said.

The statement fits in with the U.S.-Israeli policy of adopting a tougher line with Damascus. Israeli officials have dismissed Mr Abu Musa, leader of the Palestine Liberation Organisation rebels, as a Syrian puppet.

Mr Hosni Mubarak, the Egyptian President, raised the possibility yesterday that he might shortly meet Mr Arafat. The ship carrying the Palestinian leader and two other vessels were due to arrive at Port Said late yesterday before passing through the Suez Canal on their way to North Yemen.

Editorial comment, Page 10

BL freeze on truck projects hits Cummins engine venture

BY MARK MEREDITH, SCOTTISH CORRESPONDENT, IN EDINBURGH

LEYLAND TRUCKS of the UK has frozen all capital investment, raising questions about the future of a joint project with Cummins, the U.S. engine group.

Leyland, subsidiary of the state-owned BL motor vehicle group, has halted capital expenditure pending a review of its manufacturing operations.

Among the projects affected is a £30m ($42m) programme to build a new diesel engine, developed by Cummins, at Leyland's Bathgate plant, near Edinburgh. The freeze has aroused fears that the project could be cancelled and threaten the 1,800 jobs at the Scottish plant.

Under the terms of a joint programme announced last year, with Cummins, Leyland was to produce a new generation of engines for medium trucks, called the Family One series, at Bathgate from 1985 onwards. The two companies were also to have swapped components for the engines and Leyland was to have supplied Cummins customers in Europe with Scottish-built engines. An output of 40,000 a year from Bathgate was forecast.

Cummins' UK subsidiary said yesterday it had not heard from Leyland about any freeze in the plan. Mr Euan Macfarlane, managing director of Cummins at Darlington, North-east England, insisted that the collaboration was going ahead.

Leyland yesterday confirmed that the freeze on total investment had been ordered, but refused to give further details of what it claimed was an internal communications exercise.

News of the capital investment freeze was given in a staff newsletter by Mr Les Wharton, managing director of Leyland Trucks, the tone of which was similar to a message he delivered during the summer when he said Leyland's truck division was "literally fighting for survival."

Mr Wharton said then that Leyland's "recovery plan" – instituted in early 1982 following a previous review of the truck operations – had stalled. The plan involved a 27 per cent, or 4,100, cut in jobs on top of the reductions of 7,000 in 1979–80 and 3,000 in 1981.

Mr Jimmy Swan, the trade union convener at Bathgate, has called for a meeting with Mr George Younger, the Secretary of State for Scotland, to discuss the implications of the freeze. "Because of the weakness of the export market, the loss of the engine contract could mean the end of Bathgate," he said.

Mr Swan claimed that in August Leyland had given a commitment that it would go ahead with the Cummins engine project and an initial tranche of £10m was allocated. He said the company had not ruled out job losses

Europe will lag in world upturn – OECD

By Max Wilkinson, Economics Correspondent, in Paris

THE PROSPECTS for the world economy have improved substantially but the recovery in Europe is still weak and uncertain, the Paris-based Organisation for Economic Co-operation and Development (OECD) says in its latest forecast, published yesterday.

The tone of the OECD's six-monthly outlook is substantially more optimistic than it has been for some time, although it draws attention to potentially severe difficulties relating to the feebleness of recovery in Europe and the U.S. budget deficits.

For the 24 member countries in the developed world, the OECD is expecting economic growth to accelerate from 2½ per cent in 1983 to 3½ per cent next year, but to slow again to an annual rate of 2½ per cent in the first six months of 1985.

It expects the world inflation rate to average about 5½ per cent during the period, with a slight pick-up in the beginning of 1985.

The organisation believes that recovery will be heavily concentrated in the U.S. and Japan, with a growth rate next year reaching 5 per cent in the U.S. and 4 per cent in Japan.

In Europe, the picture is much bleaker. The UK will lead the way with growth of only 2¼ per cent next year, followed by West Germany and Italy each with growth of 2 per cent. France, by contrast, is expected to remain in recession with zero growth next year and only a very weak recovery starting in 1985.

The OECD says the recovery in Europe will not be enough to prevent unemployment from rising further – from 10½ per cent of the workforce this year to 12 per cent in the first six months of 1985.

Even in Japan, the rate of growth will not be fast enough to prevent some small rise in unemployment. But further reductions in unemployment in the U.S. will hold the OECD average at 9 per cent of the workforce throughout the forecasting period. That suggests that some 33m of the 366m workforce in the OECD area will be unemployed in 1985.

Mr Kjell Andersen, acting head of the OECD economics and statistics department, said the OECD growth rate over the last year was

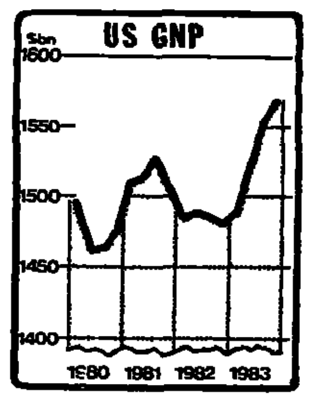
Continued on Page 12

The U.S. engine for higher growth, Page 2; Editorial comment, Page 10

U.S. recovery steady but below forecast

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

THE U.S. economic recovery is proceeding at a steady pace, although more slowly than had been expected in the year's fourth quarter, according to tentative figures released by the Commerce Department yesterday.



The department's preliminary estimate put growth in the country's gross national product (GNP) at an annual real rate of 4.5 per cent in the October to December period – less than the 6–7 per cent that had been forecast by Mr Donald Regan, the Treasury Secretary, and a number of private economists.

The figure was nevertheless taken as good news by the Reagan Administration as it approached the election year of 1984. The White House saw it as confirming President Ronald Reagan's claim that 1983 had been a "banner year" for the U.S. economy. "Confidence is in the air and with good reason," he told a nationally televised news conference on Tuesday night.

The growth rate was down from a revised 7.6 per cent in the third quarter and an exceptional 9.7 per cent in the second. But Mr Regan said it nevertheless constituted a "pleasant surprise," in that interest rates should be marked down by money market operators to reflect reduced expectations of inflation.

Wall Street stock markets welcomed the Commerce Department's forecast, and the announcement brought a rapid recovery in bond prices from falls suffered late on Tuesday after disappointment with the terms of the Treasury's refunding programme. The Dow Jones industrial index closed 13.01 up at 1,254.98.

The politically sensitive consum-

Continued on Page 12

U.S. aid cut blow to Zimbabwe, Page 3

Zaire set to receive $350m IMF credit

BY DAVID MARSH IN PARIS

THE PARIS CLUB of leading Western creditor nations yesterday agreed to reschedule more than $1bn of debt owed by Zaire, opening the way for an urgently needed $350m standby credit from the International Monetary Fund (IMF).

The scheduling – Zaire's sixth in the past eight years – enables the debt-ridden African nation to stretch out its repayments of government loans in 1984, and arrears accumulated in 1983, over an unusually generous 11 years.

The IMF made the debt rescheduling agreement a condition for the authorisation of the planned standby credit, which is now expected to be formally approved before the end of the week.

It follows an austerity programme introduced by the Zaire Government in September, including an 80 per cent devaluation of the currency and cuts in public spending, to try to redress the country's precarious international payments position.

The debt accord was reached after two days of talks between Zaire government officials and representatives of the principal creditor nations in the Paris Club. It provides for a five-year grace period and a maturity of 11 years, compared with a period of around eight years normally approved for debtor nations.

The agreement reflects the special problems of the Zaire economy, badly hit by the decline in copper and cobalt prices in recent years, and the stagnation of agricultural production.

The IMF loan, which is for a period of 18 months, was agreed in principle last week. The last IMF programme, involving an extended three-year credit of SDR912m ($939m), was suspended because of the Government's inability to keep down its budget deficits.

CONTENTS

EUROPEAN NEWS

Wage-earner funds law pushed through Swedish Parliament

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SWEDEN's minority Social Democratic Government yesterday pushed through legislation to set up collectively-owned wage-earner funds, which are intended to give the unions a growing share in the ownership of industry.

The parliamentary victory, by a tiny majority of six, was made possible in the face of united opposition from the Conservative, Liberal and Centre parties, by the abstention of the 20-strong Communist bloc.

Wage-earner funds have been a divisive issue in Swedish politics for nearly 10 years and yesterday's vote is unlikely to clear the air. The three opposition parties are all committed to doing away with them and the issue is expected to dominate the run-up to the 1985 election.

Five investment funds will be created early next year with instructions to invest in Swedish equities. The nine-member fund boards, appointed by the Government, will include at least five union representatives.

Each fund will receive up to a maximum of SKr 400m (£34.8m) a year in fresh capital derived from two sources, a new 20 per cent tax on "real" corporate profits (ie after inflation and after an allowance of either SKr 500,000 or 6 per cent of the wage bill) and a 0.2 per cent increase in the pay-roll tax.

The supply of new money is supposed to stop at the end of 1990 by which time the funds will have received SKr 14bn (£1.2bn), equivalent to around 7 per cent of the current total value of Swedish public stock. Earnings from the funds will be channelled into the national pension system.

Every fund will be able to buy a stake of up to 8 per cent in an individual corporation but, together with the existing state national pension fund, they could collectively build a shareholding of up to 50 per cent in any of Sweden's big corporations.

By 1990 the funds could hold a controlling position in all of Sweden's leading multinational companies, Mr Ulf Adelsohn, leader of the Conservative Party, warned during the marathon 18-hour parliamentary debate.

N-power electricity 'cheaper than coal'

By David Marsh in Paris

NUCLEAR POWER stations being built in Europe and Japan will produce electricity in 1990 around 30 to 75 per cent more cheaply than competing coal-fired plants, according to an OECD study.

The report for the first time gives detailed comparison of capital and fuel cycle costs of nuclear and coal stations throughout the main industrialised countries.

It says nuclear power is expected to have a very clear economic advantage for base-load electricity production except in parts of the U.S. and Canada where cheap coal is available nearby.

Nuclear plant competitiveness, however, is vulnerable to several factors. An increase in nuclear capital costs of 50 per cent, a two-to-three fold increase in nuclear fuel cycle costs, or a drop in the nuclear plant load factor to below 50 per cent would eliminate the advantage over a coal plant operating at a 70 per cent load factor.

Coal power stations sited close to the main U.S. coal fields would be cheaper to build and operate.

France lowers bank lending ceilings

BY DAVID HOUSEGO IN PARIS

NEW CEILINGS have been imposed on bank lending in France in line with the tightening of monetary policy announced on Monday.

Under the limits announced by the Bank of France, the larger banks dispersing more than FFr 15bn (£1.25bn) a year in credit, will have to cut back their normal lending by 2½ per cent at the end of 1984 as compared with December 1983.

This year, under the French *encadrement* system that rations the credit banks can extend, the larger banks were given an increase in their credit *encadrement* ceilings of 3 per cent. This was reduced to 2.5 per cent in June as a result of the Government' new austerity measures. Excluded from the *encadrement* limits, are lending for exports and housing as well as advances made in foreign exchange.

For banks dispersing less than FFr 15bn in credits, no increase in their normal lending operations will be permitted next year.

The new limits are intended to enforce the more restrictive monetary growth targets announced on Monday which provide for an expansion of M2 (cash and readily withdrawable deposits) next year of 5½-6½ per cent.

However in line the the Government's priorities, bank lending in support of exports will be allowed to grow by 12 per cent next, or at the same pace as in 1983, and loans ceilings for housing are also being increased.

But after this year's permitted growth of 3 per cent in consumer lending, banks next year will be held to zero growth in consumer credit. Likewise their possibilities of escaping the credit ceilings by lending against funds they have raised in bond issues are being reduced.

Overall credit expansion by the banking system to the public and private sectors is thus being slowed down to around 8½ per cent next year from the 17 per cent year-on-year rate at the end of 1982.

French oil fraud claim

By Our Paris Staff

A politically-charged affair involving possible misuse of French state funds sent to Switzerland to pursue a mysterious foreign oil exploration venture under the previous right-wing government broke into the open yesterday.

M Henri Emmanuelli, state secretary at the Budget Ministry, publicly accused a former top judicial official, M Bernard Beck, of destroying a government document inquiring into the transfer abroad between 1978 and 1981 of around FFr 500m by the state-controlled oil company, Elf Aquitaine.

The affair centres on Elf's investment in an oil exploration project.

M Emmanuelli told Parliament yesterday that Elf had transferred abroad a total of FFr 1bn to finance the study, of which a part had since been recovered.

The case, which M Emmanuelli labelled yesterday as a "giant fraud," has clear political implications. The Elf study was carried out in great secrecy. The necessary authorisations for transfer of funds were thought to have been carried out at the highest level during the administration of President Valery Giscard d'Estaing and M Raymond Barre.

M Emmanuelli said the cash had been transferred to Switzerland in the name of companies based in Panama, Lichtenstein and the New Hebrides.

He termed the destruction of an inquiry into the affair by M Beck, former head of the Government's body which checks public accounts, as an "abuse of authority"

W. German car output levels off

BY JOHN DAVIES IN FRANKFURT

CAR PRODUCTION in West Germany appears to have levelled out after making strong bursts of recovery earlier this year. It has shown no increase since September on a seasonally adjusted basis, according to the German Automobile Industry Association (VDA).

Output of cars has been one of the main forces behind the country's economic recovery this year, after two years of recession. Sales on the domestic market have surged after declining for four years.

The VDA said yesterday, however, that domestic demand and production had settled down lately, though at a much higher level than a year ago.

The levelling off has not been felt across the board. Prestige car makers, such as Daimler-Benz, have still been enjoying buoyant demand and production. Ford recently introduced short-time working for 3,500 employees — 7 per cent of its workforce — although the problem is limited to sluggish sales of Granada and Capri models.

According to the VDA, the industry is confident that recovery will continue provided there is no "external shock" such as a serious conflict with IG Metall, the metalworkers' union, over its demand for a 35-hour working week.

The union said yesterday that it did not rule out a conflict with employers early next year and would not be influenced by any sign of a levelling off in car production.

Although total car production, seasonally adjusted, may have reached a plateau, the industry is encouraged by signs that export markets are continuing to recover. West German manufacturers exported 211,900 cars last month, 8 per cent more than in November last year.

Production, too, is well above a year ago. More than 351,000 cars rolled off assembly lines last month, 14 per cent more than the poor level of the previous November. Since the beginning of this year, 3.57m cars have been turned out, 2 per cent more than in the same period last year.

Truck production continues to present a headache, although manufacturers report signs of a gradual revival in demand. West German plants produced 27,800 commercial vehicles last month, only 300 more than the depressed level a year ago.

Slow growth predicted in Hungary's 1984 plan

By Leslie Colitt in Berlin

HUNGARY'S economic growth next year will continue to be slow, according to the draft 1984 economic plan. National income—roughly equivalent to GNP—is to expand 1.5 to 2 per cent compared with planned growth of 0.5 to 1 per cent this year.

Industrial production next year is to rise 1.5 to 2 per cent, the same as in this year's plan. The actual achievement to the end of October, however, was 1.3 per cent growth.

Agricultural output is expected to remain at the 1982 level or to expand by 1 per cent. Farm production fell this year because of a poor harvest.

Personal consumption is to remain at this year's level which was supposed to have declined from last year's but which rose instead because of earnings in the "second economy."

● The first trial in a decade of a dissident in Hungary began yesterday. Mr Gabor Demszky, editor, publisher and distributor of the ABC underground publication, was charged with assaulting two policemen. Mr Demszky's lawyer said he had only tried to retrieve personal papers taken in September during a search of his car. Mr Demszky was said to have been beaten and hospitalised for four days.

Smuggled U.S. computer moved to secure area

BY OUR STOCKHOLM CORRESPONDENT

THE sophisticated U.S. computer system seized last month by Swedish customs authorities was yesterday officially classified as "military equipment." It is to be moved from the southern Swedish port of Helsingborg to a secure "military area."

The Swedish Government failed yesterday, however, to answer a direct request from Mr Casper Weinberger, the U.S. Defence Secretary, and Mr Donald Reagan, the Treasury Secretary, for the return of the computers to the U.S.

The four containers seized in Helsingborg were part of a consignment bound from South Africa via West Germany and Sweden to the USSR, the U.S. Ministers claimed this week.

The contents of the three other containers seized earlier in Hamburg had already been returned to the U.S. thus foiling a major industrial espionage attempt by the Soviet Union, Mr Weiberger said.

The Swedish Government's sensitive neutrality policy is facing a severe test, and acceding to the U.S. request could undermine its attempts to deal evenhandedly with both superpowers.

Mr Mats Hellström, the Foreign Trade Minister, said yesterday, however, that Sweden would not be used as "a transit land for illegal traffic."

Mr Hellström said that a report from the Inspector General of Military Equipment had shown that the computers were part of a system "especially designed for military use." Markings on the computers had been removed or ground down to make identification more difficult, he said.

Unemployment in EEC at 10.9% of workforce

By Ivo Dawnay in Brussels

THE TOTAL number of unemployed in the European Community, excluding Greece, rose to 12.2m by the end of last month—10.9 per cent of the labour force.

Community statisticians say the 1.3 per cent rise since October represents a slight real increase in unemployment after seasonal adjustments. Compared to the same month in 1982, the overall total has risen an estimated 6 per cent.

The UK has had the smallest increases in unemployment over the past 12 months at 0.7 per cent, followed by France at 2.9 per cent, Belgium at 6.6 per cent and West Germany at 7.6

The Italians suffered a 10 per cent rise over the period and the Irish and Luxembourgeois topped the scale with increases of 17.4 and 18.3 per cent respectively.

Minister's Flick role played down

BY OUR BONN STAFF

THE BONN Economics Ministry yesterday played down the responsibility of Count Otto Lambsdorff, its Minister, for the controversial DM 800m (£204m) tax holiday granted the Flick concern. Count Lambsdorff faces court proceedings on charges of taking bribes from the company.

In a declaration to the Ministry's employees distributed yesterday, Dr Otto Schlecht, the State Secretary, said Count Lambsdorff has personally decided on only two of 10 requests by the company for tax breaks on reinvestment of capital gains.

The Bonn district court will decide next year whether to follow up the public prosecutor's recommendations and open proceedings against Count Lambsdorff and four others. The public prosecutor says there are grounds to suspect that Count Lambsdorff and his predecessor, Herr Hans Friderichs, now chairman of the Dresdner Bank, could have been influenced in the grant of tax holidays by cash payments from Flick.

Dr Schlecht's efforts to insulate his minister from the tax decisions follow a fighting statement from Count Lambsdorff on Tuesday saying he would remain in office as the charges were unfounded. Chancellor Helmut Kohl has let it be known that Count Lambsdorff should remain at least until the court decides about proceedings.

According to Dr Schlecht, the decisions to grant tax holidays to Flick on the investment of most of the DM 1.9bn it realised from the sale of Daimler-Benz stock in 1975 were taken by officials. On only two of the ten investment proposals made by Flick was Count Lambsdorff called into adjudicate.

Dr Schlecht, who was himself involved in evaluating the Flick requests for tax relief, said that the company's files on the discussions with ministry officials were misleading. These files were sequestered by the public prosecutor.

Italy releases Bulgarian in 'Pope plot'

By Anthony Robinson

SERGEI ANTONOV, the Bulgarian airline representative accused of complicity in the plot to kill Pope John Paul, mainly on evidence supplied by convicted Turkish terrorist Ali Agca, was freed from a Rome prison yesterday. Rome magistrates explained they had acceded to his lawyers' request for release on health grounds but placed him under house arrest instead.

In Moscow the Tass news agency welcomed the release as proof of Soviet assertions that Mr Antonov's arrest, which raised questions of KGB complicity in the papal assassination attempt, was a "sordid manoeuvre . . . a provocation carried out on CIA instructions."

OECD ECONOMIC OUTLOOK

U.S. recovery provides engine for higher growth in developed world

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE WORLD economy has improved more rapidly than expected this year and the outlook is for further improvement, the Organisation for Economic Co-operation and Development says, in its latest assessment, published yesterday.

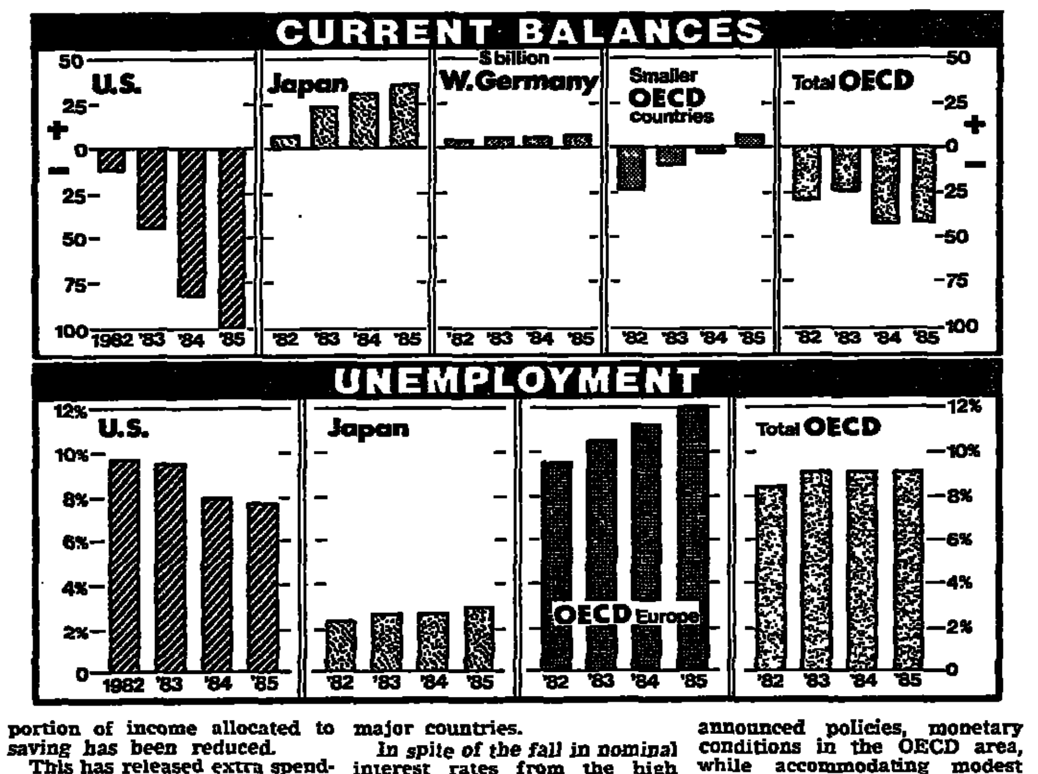
The Paris-based organisation says in its December Economic Outlook that overall economic activity in the developed world may have grown at an annual rate of 2¼ per cent in the first half of this year, about half a percentage point faster than the OECD was predicting in the summer.

At the same time, the average inflation rate has fallen rather faster than predicted to an annual rate of about 5 per cent in the year to September, although some slight pick-up is expected next year and in 1985.

The OECD says that the major forces behind the recovery include the expansionary fiscal policies of the U.S. and the increases in real wealth which have resulted from lower inflation in many countries.

However, it cautions: "With tight policies — dictated by continuing concerns over budget deficits and inflation fears —the recovery outside North America seems likely to be weak and hesitant by past standards."

In most of the industrialised world, the OECD says the effect of lower inflation and improved consumer confidence, has been a significant force for recovery. As the real value of people's financial assets has risen after the unexpectedly steep fall in nominal interest rates, the proportion of income allocated to saving has been reduced.



This has released extra spending power in spite of a sluggish growth of real disposable incomes in most countries.

The proportion of income going into savings is not expected to fall much further in 1984. However, in 1983 the change in the pattern of saving is estimated to have contributed as much as 1½ percentage points to real growth in the seven major countries.

In spite of the fall in nominal interest rates from the high levels of two years ago, the OECD says that "real" interest rates after taking account of current and expected inflation rates still appear high. Even after taking account of tax allowances it says: "Rates of return on financial assets remain high relative to rates of return on real assets in many sectors.

"On that basis and given announced policies, monetary conditions in the OECD area, while accommodating modest recovery, do not appear to be stimulating demand to any major extent.

"Outside North America, the principal forces acting on the major OECD economies are not expected to generate much net stimulus to demand during the period to mid-1985. To a significant extent, the growth of output can therefore be attributed to the recovery in the U.S."

Consequently, it says that even if all the forecasts prove to have been on the pessimistic side, "it seems unlikely that growth in Europe and Japan would accelerate to rates comparable with past cyclical upswings."

The OECD says one of the key questions for the continuation of the recovery is the extent to which the proportion of income allocated to savings will continue to fall.

A further fall of half a percentage point in the ratio of savings to income would probably raise world output by 1 per cent after a year or so, the OECD staff estimates.

But they find it difficult to estimate the extent to which faster economic growth would lead to a renewal of inflation. Past experience suggests that an extra 1 per cent of growth over a year or so would raise commodity prices by perhaps 2 to 3 per cent more than forecast. However, the report says: "The overall impact on OECD inflation would probably not be very great, given the margin of slack in product and labour markets."

The report says: "Business investment behaviour is essential for the sustainability of the upswing." Fairly weak private non-residential investment seems most likely, the OECD thinks, particularly outside North America, on the basis of survey data and the likely impact of high interest rates together with the relatively weak prospect for the growth of sales and capacity utilisation.

It adds, however, that forecasts of future investments are particularly uncertain, and an increase of 4 per cent in investment in the OECD countries could raise real output by about 1 per cent.

The OECD casts some discreet doubt on the common view in Europe that recovery is being inhibited by high interest rates which are in turn caused by very large prospective U.S. budget deficits.

The Outlook reports the view that high interest rates are being caused by the U.S. financial markets' fears that high deficits will lead to high inflation if monetary policy is relaxed or alternatively to an excessive demand for credit in relation to the available savings if money remains tight.

But it comments: "It should be noted, of course that there are several other possible explanations for the high level of interest rates."

Moreover it cautions that efforts to reduce future U.S. deficits would have a deflationary fiscal impact on the world economy. It says that such a tightening of U.S. fiscal policy might put downward pressure on the dollar which would depress the competitiveness of other countries' exports to the U.S. and to other markets where they were competing with U.S. exports.

A lower dollar would thus tend to weaken demand and output in countries other than the U.S., while tending to increase inflationary pressure in the U.S. itself.

Much would therefore depend on the policy response of other industrialised countries. They might use a depreciation of the dollar as an opportunity to lower their domestic interest rates or to relax their fiscal policies. One beneficial effect might be a reduction in the price of oil in currencies other than dollars unless the oil price fell in sympathy with a declining dollar.

* *OECD Economic Outlook No 34, December 1983 from OECD, 2 rue André Pascal, 75775 Paris Cedex 16, France.*

Budget deficits analysed

THE OECD Economic Outlook devotes a special chapter to the discussion of how large the major countries' budget deficits would be if unemployment were reduced to the lowest feasible figure. The figures are thought to vary widely between different countries, Max Wilkinson writes.

The "structural" part of government deficits is calculated by the OECD to be the government borrowing which would be needed if the economy were running with full employment.

It is recognised that during a recession government borrowing needs will increase, partly because of the extra expenditure on unemployment benefit and partly because revenues will be reduced because there are fewer workers paying taxes and companies are generally making lower profits.

This extra borrowing in a recession is defined as the "cyclical" element of the deficit. The cyclical and structural elements added together give the actual government deficit in any one year.

In the U.S., the federal Government's deficit of 5¼ per cent of output in 1983 is thought to be about half structural, and half cyclical. However, the federal structural deficit is thought to be about balanced by a structural surplus for the state and local sector.

In Japan about three quarters of the present deficit of 3¼ per cent of output is identified as being structural, but in West Germany the 3 per cent deficit is thought to be almost all accounted for by cyclical rather than structural factors.

France is estimated to be in structural balance in 1983, while the UK would be running a budget surplus of 3 per cent of output if it had full employment.

It is now estimated that the total general government deficits in the OECD countries equal 48 per cent of total net private savings. This has risen from only 10 per cent in 1979.

Productivity makes strong gain but Britain likely to remain an unemployment black spot

BY ROBIN PAULEY

UNEMPLOYMENT in the European OECD states is expected to continue rising throughout 1984 and 1985, and of the world's seven leading OECD states, Britain is forecast to have the highest unemployment rate throughout that period.

The forecast says employment is likely to stabilise or increase in the U.S., Canada, Japan, Britain and several smaller OECD states and to drift further downward in other European countries. Productivity growth is expected to recover in most of the OECD area, with particularly strong gains in Europe, magnifying forecast employment losses.

"As a result unemployment will decline in North America, remain low in Japan but increase for OECD Europe as a whole." By the end of 1985 the OECD predicts a total of 33m people out of work in its area, of which more than 20m will be in Europe, compared with 18m out of the total 32.5m in the current year.

In the leading seven states, Canada has the highest unemployment rate in 1983 (12 per cent) followed by Britain (11¼ per cent) and Italy (10 per cent). Britain is expected to have the worst rates in both 1984 and 1985, staying at 11½ per cent throughout the period as rising employment will do no more than match the increase in the labour force.

The cumulative decline in employment since 1979 in Europe has amounted to 2.1 per cent or 3.3m people while productivity has risen by 4.6 per cent during the period, nearly twice the rate of growth of real gross domestic product.

"The divergence between productivity and output trends was most marked in the United Kingdom, where productivity advanced by a total of 6 per cent while real output remains slightly below the 1979 level."

Europe's strong productivity performance reflects attempts by employers to improve profitability in conditions of exceptionally low returns on capital and high costs of external finance.

Youth unemployment continues to worsen. By mid-1983 youth unemployment rates were around 40 per cent in Spain, 30 per cent in Italy, and more than 20 per cent in France, Britain and Canada. Only Japan (5.5 per cent) and Sweden (8.5 per cent) had single figure youth unemployment rates of the 12 OECD countries for which data is available.

Prospects for sustained recovery without resurgent wage inflation are mixed, says the forecast. "Much will depend on whether the moderate wage settlements seen since 1979 reflect a lasting change in inflation expectations or a temporary response to post-war record unemployment."

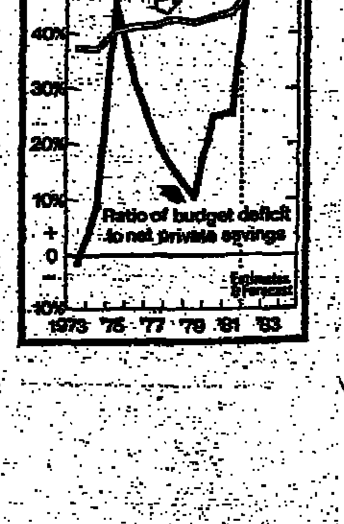
The rate of increase in OECD consumer prices has fallen steadily since 1980, when the 12 month rate hit a peak of around 13 per cent. In June 1983 the annual rate of increase was down to 4.9 per cent, which has remained stable until a slight rise recently.

The OECD feels that the disinflationary effect of falling commodity and oil prices has probably ended. Domestic unit labour costs should continue to grow comparatively slowly in the short run as recent wage settlements and preliminary wage claims remain modest and there has been a brisk recovery in labour productivity growth.

"In the medium term, however, lower inflation will require yet lower nominal wage increases, barring a fundamental improvement in productivity performance. That seems unlikely."

On the other hand the risk of a renewed commodity price surge appears remote. The OECD's main hope for continuing lower rates of inflation lies in its own very modest predictions for the growth of real GNP and real total domestic demand during 1984 and 1985.

"Only if the recovery in OECD economic activity proves substantially stronger than forecast would the risks of a wage-led re-acceleration of inflation appear significant over the forecast horizon," the report says.



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EUROPEAN NEWS

I£1bn investment oils creaking Irish telephone system

BY BRENDAN KEENAN IN DUBLIN

THE 200-year-old Irish Post Office will disappear on January 1, to be replaced by two state companies handling telecommunications and postal services.

The break-up follows the recommendations of a review body in 1979. The Government had become concerned that the out-of-date telephone system was hindering Ireland's efforts to attract high-technology industry.

The review body recommended a I£1bn (£790m) investment programme over five years, to be managed by a new telecommunications company, BTE.

The Government accepted the recommendations and moved quickly to implement them. Some I£760m has already been spent over the past three years but three changes of government in that period meant that the awesomely complicated legislation needed was not passed until this year.

The chief executives appointed to run the new companies—Mr Tom Byrnes in BTE and Mr Tom Garvey in the postal company—have had to re-fight the battles each time a new Minister took office.

To the Irish public, the key question is when will the telephone waiting list (still two years in places) disappear. For BTE, the priority must be the business user and the provision of data lines is seen as vital. By the end of next year, half of Irish exchanges will be digital.

A further I£200m has still to be spent. Major suppliers so far have included L. M. Ericsson of Sweden and C. I. Alcatel of France. Irish Telecommunications Investments Limited was established to raise funds for the development. Under the chairmanship of Mr Michael Smurfit a leading businesssman, it has raised I£348m in Government-guaranteed loans and hopes to become involved in bond issues and tap institutional funds.

BTE does face some serious problems, however. With assets of I£1.5bn, it has received, in Mr Byrnes's view, only half the capital equity from the Government that it would ideally need. It must take over the debts on past investment, which was often piecemeal and will remain uneconomic. There is also a history of rivalry and restrictive practices among the different union groups.

Then there is Dublin. The city is the fastest-growing in Europe, and the growth has often been haphazard. It is quietly accepted that telephones will not be readily available in some of the new areas of Dublin for the foreseeable future. BTE wants to introduce a mobile system so that those who need a telephone can have one at a price. In the long run, they would like the city planners to build the houses where the telephone lines are.

Charges, which are markedly above those in Britain, are unlikely to become much cheaper, given the costs of the investment programme and the small size of the market.

Mr Byrnes is studying ways of providing telephone services which would cost less than conventional systems and believes such technology could be exported to other, lower-income countries.

Italian regional president accused of embezzlement

BY ALAN FRIEDMAN IN ROME

ITALY'S month-long "casino blitz" against bankers, casino employees and local government officials accused of helping the Mafia to launder funds through gambling establishments has taken a new turn with the issue of an arrest warrant for Sig Mario Andrione, president of the regional government of Valle d'Aosta in north-western Italy.

Sig Andrione, a Christian Democrat, was to have appeared in Turin this week to testify about his alleged involvement in the money laundering operations at Saint Vincent, one of the four casino cities in northern Italy. Last month, special officers of the Guardia di Finanza (Fiscal Police) raided casinos in Venice, San Remo on the Riviera and Campione, the Italian enclave inside Swiss territory.

The Valle d'Aosta president is believed to be missing and the warrant against him, which accuses him of embezzlement, describes him as "an absconder in form and substance." At the same time, magistrates have arrested five more people accused of having taken money from chemin-de-fer tables even before checking the figures presented by croupiers.

The latest arrests bring to around 50 the number of people detained in what the police describe as an important crackdown on Mafia money-laundering practices. Among those arrested are the mayor and deputy mayor of Campione and several senior bankers.

The investigation, which has involved more than 2,000 police officials and magistrates, may shed further light on the laundering of millions of pounds of Mafia earnings from kidnappings and drug dealings. Both are major industries in Italy, as was shown again this week by the shipment of the severed ear of Giorgio Calissoni, who, together with his mother Anna (heirs to the Bulgari jewellery fortune), is being held for ransom.

Swiss GDP rises slightly

By John Wicks in Zurich

THE SWISS economy has shown its first modest improvement since early 1982. Government figures point to an increase of 0.3 per cent in real terms in gross domestic product (GDP) for the third quarter of this year compared to the corresponding period of 1982.

The Government report says this reflects an overall rise in demand. This was particularly marked in the case of private consumption on the domestic market, up by 2.4 per cent over last year.

At the same time, exports of goods and services recorded their first increase for more than a year—though the rise of 3.1 per cent was still well below the 5.1 per cent increase in visibles and invisibles imports.

The official economic studies working party expects a further gradual recovery in the coming months.

Portugal sets rent rise curbs

By Diana Smith in Lisbon

COMMERCIAL RENTS in Portugal will be inflation-indexed from next year under a law passed this week.

Towards the end of each year the Government will set a figure slightly below annual inflation by which landlords may increase rents annually on commercial premises. Inflation this year will top 25 per cent.

The new law replaces the former Government's freeing of commercial rents. That led to chaos: many small traders had paid as little as Esc 100 (55p) a month for decades and were then crippled by sudden rent increases of several hundred or even several thousand per cent.

Portugal's archaic domestic and commercial rent laws, allowing successive generations to inherit rented premises without paying more, have deterred landlords from keeping up buildings.

As a result, an old building collapses almost every week.

OVERSEAS NEWS

End bar on blacks, urge S. African mine chiefs

By Bernard Simon in Johannesburg

LEADERS OF South Africa's mining industry have urged the Government to speed the abolition of the last remaining legal obstacle to the advancement of black workers in the mines.

In their annual review, the chairmen of Anglo American's four Orange Free State mines say that negotiations to scrap provisions in the Mines and Works Act reserving key skilled jobs for "scheduled persons," defined in the act as whites, have dragged on for two years. They said that "as yet there has been no significant advance on this issue. It would now seem appropriate to remove this discrimination by legislation."

The Government said in a White Paper in 1981 that it was in favour of dropping these provisions, provided employers and white trade unions could agree on measures to protect white mineworkers' job security. It said that the parties involved should try to reach a compromise "within a reasonable period of time."

The ultra - conservative white Mine Workers' Union fears that by allowing blacks into jobs presently reserved for whites, it will lose its considerable (though diminishing) bargaining power over wages and other working conditions. Despite the present deep recession in South Africa, the mining industry continues to experience a shortage of skilled manpower in some categories.

Among the jobs included in the "scheduled person" provision in the Mines and Works Act are overseers, miners with blasting duties, engineers and winding engine drivers.

Blacks are gradually moving into other skilled jobs on the mines. Anglo American Mines indentured their first black apprentices this year.

Mozambique talks unlikely to ease tension

By a Correspondent in Johannesburg

THE HIGH-LEVEL meeting between South African and Mozambican officials held in Swaziland on Tuesday is unlikely to succeed in easing simmering tensions between the two countries, it was thought in Johannesburg yesterday.

Mr Pik Botha, the South African Foreign Minister, confirmed on his return to Pretoria that discussions with the Mozambicans centred on "the security situation in southern Africa." Mr Botha was accompanied by General Magnus Malan, the Defence Minister, and Mr Louis Le Grange, the Minister of Law and Order. The Mozambican delegation was led by Mr Jacinto Soares Veloso, Minister of State in President Samora Machel's office.

The meeting appears to have been set up during Mr Botha's recent visit to Portugal and other European capitals, and follows mounting pressure on South Africa to curtail its increasingly overt support for the right-wing Mozambique Resistance Movement (MNR), which has caused considerable disruption to the economy.

Mozambique has shown signs recently of moving closer to the western camp, apparently in the hope of increased economic aid.

South Africa is probably willing to rein-in the MNR and increase commercial links with Maputo, provided it can obtain assurances of tighter Mozambican control over African National Congress (ANC) activities in Mozambique.

Judgment postponed

JUDGMENT in the treason trial of the former commander of the Simonstown naval base, Commodore Dieter Gerhardt, and his wife has been postponed to Wednesday, December 28.

The economy is being unofficially dollarised, writes **David Lennon**

Dollar-wise Israelis shun shekels

Mr Aridor (below) and the face of 'real money'

THE Israeli Cabinet recoiled in horror at the proposal to replace the shekel with the U.S. dollar, and the Finance Minister lost his job. But the horror does not extend to the Israeli people. If you are paying a babysitter or a cleaning woman, only an hourly rate quoted in dollars will do.

When Mr Yoram Aridor, the former Finance Minister, proposed making the dollar legal tender to wipe out shekel inflation, the Cabinet rejected the idea because politically it smacked of a loss of sovereignty, and economically it would have robbed the Government of the power to print money to cover its budget deficits.

But whether it is officially approved or not, Israel is increasingly moving over to the dollar as the only stable yardstick of value in an economy where rampant inflation daily erodes the worth of the shekel.

Although prices are now generally quoted in dollars, Israelis have to carry out the actual transaction in shekels, the only legal tender. If you don't know today's rate for the dollar, you can be sure that the babysitter or the cleaning woman will.

The current joke is that the predominantly green colour of the newly-issued 1,000 shekel banknote has finally made the "greenback" legal tender.

Anyone seeking evidence that thee dollar has become the all-pervasive measure of value has only to glance at the advertisements in any daily Hebrew newspaper. The price of a new house, a holiday abroad or even a secondhand tennis racquet are all listed in dollars.

"Only $77,000 for this lovely four-room flat," proclaims one advertisement. "This beautiful villa can be yours for only $225,000," announces another.

The builders have been the leaders in the field of dollarisation, and for the past three years have been listing property prices only in dollars. More recently the car importers have followed suit.

You may have to pay in shekels, but the contract will include a clause holding you liable to any devaluation of the shekel between your first and last payments.

If you want to rent a car, a flat or an office, the price will be quoted in dollars. In the case of property rental, it will be increased each year, also in dollars.

Most companies long ago moved into the dollar age. The President of one conglomerate told me over a year ago that there was no point in asking him anything about the concern's performance in shekels. "I simply can't understand anything in shekels," he said with a dismissive wave of his hand.

> Most companies moved into the dollar age long ago. The president of one conglomerate said more than a year ago that there was no point in asking him anything about the concern's performance in shekels. "I simply can't understand anything in shekels," he said with a dismissive wave of his hand.

A dwindling few patriots still quote the price of their secondhand cars in shekels, but if they fail to sell the vehicle, the shekel price will be increased when advertised the following week in line with its depreciation against the dollar.

The acceleration in the yearly inflation rate, now nearly 170 per cent has led to a deepening of the phenomenon and it has spread to entirely new areas.

During the past couple of years, it has been increasingly common for companies to pay their senior executives salaries linked to the dollar, but generally under an unpublicised private arrangement.

Now, companies are openly advertising a dollar salary, and for skilled workers as well. The dollar sign is ubiquitious among the situation vacant advertisements.

Professionals and those, like babysitters, providing services, charge almost exclusively in dollars. No dentist cites a shekel rate for his treatment and few doctors in private practice have resisted Israel's economic reality.

The Ministry of Industry and Trade says it is illegal for shops to quote their prices in dollars, but many shop windows display only dollar price tags. Those that don't, such as grocery stores and supermarkets, employ full-time staff whose sole task is to go around the shelves sticking on new price labels. Most tins of peas get a new price tag each week.

The average Israeli company, institution and individual has decided that embracing the dollar is the only way to ensure price stability in any transaction. After all, who could place their faith in a "greenback" like the new 1,000 shekel note, when it lost almost 5 per cent of its value within the first two weeks of being issued?

U.S. aid cut blow to Zimbabwe

BY TONY HAWKINS IN HARARE

WASHINGTON'S decision to cut its economic aid to Zimbabwe in the 1983-84 fiscal year to $40m from the $75m originally requested will mean further severe reductions in import quotas.

Business leaders in Harare, reacting to the State Department announcement, said they feared there would be a sharp reduction in the U.S. commodity import programme, which totalled $59m in 1983.

The signs are that, in the next year, this programme will be cut to not much more than $30m. The impact on the Zimbabwe economy will be compounded by the fact that, even before the U.S. decision was announced, businessmen in Harare had been warned to expect lower quotas in 1984.

Import allocations to the private sector are running at about 70 per cent of their peak post-independence levels reached in 1981. Further cuts in quotas will have adverse ramifications for output and employment.

The U.S. is easily Zimbabwe's leading aid donor, having provided $234m since independence — 95 per cent of which has been in the form of grants.

There are hopes, however, that the actual aid cut will be less serious than seems likely because Harare and Washington are negotiating a $25m housing loan and there is always the possibility of extra food aid.

Businessmen in Harare are worried that the aid cut is likely to have adverse implications for U.S. investment in Zimbabwe, since State Department officials have said that political differences "in the international arena" influenced Washington's thinking.

There had been no Zimbabwean reaction yet, but Mr Robert Mugabe, the Prime Minister, who yesterday criticised the Third World policies of the World Bank and the International Monetary Fund, is likely to react bitterly to the U.S. decision, accusing President Reagan's Administration of seeking to use aid as a weapon to force non-aligned countries to toe the U.S. line in international diplomacy.

Japan poised to become Australia's biggest investor

BY MICHAEL THOMPSON-NOEL IN SYDNEY

JAPAN looks poised to overhaul Britain as the biggest foreign investor in Australia. Yesterday's publication by the Statistics Bureau showed that Japanese investment in Australia in 1982-83 rose by 71 per cent to A$2.67bn (£1.68bn). However, total capital inflow in 1982-83 was A$840m lower than in 1981-1982 at A$9.19bn.

UK investment in Australia last year totalled A$2.78bn, against A$2.89bn in 1981-82. Third was the U.S. at A$962m (down 39 per cent), followed by the Asean bloc at A$929m (down 46 per cent).

Japan has been a major investor in Australian resource projects and manufacturing recently, and is in any case Australia's biggest trading partner. Japanese investors have also been attracted by relatively high Australian interest rates.

Portfolio (share) investment and institutional loans by foreign interests was A$170m higher at A$7.43bn.

On Tuesday, the Labor Government in Canberra announced a relatively soft line on foreign investment policy, saying it would not require an increase (from 50 to 51 per cent) in local equity participation in key areas such as oil and gas, minerals and farming.

Mahathir reshuffles top ranks in Malaysian forces

BY WONG SULONG IN KUALA LUMPUR

DR MAHATHIR MOHAMAD, the Malaysian Prime Minister, has reshuffled the top ranks of the armed forces in a move which will consolidate his position after his bitter constitutional confrontation with the country's Sultans.

The top three army generals, the chief of the air force and the chief of the police have either been prematurely retired or asked to go on study leave in Britain.

The new army chief is Gen Ghazali Che Mat, former director of military intelligence, who replaces Gen Zain Hashim, known for his pro-Royalist sentiments.

The new deputy army chief is Lt-Gen Hashim Mohamed Ali, who is Dr Mahathir's brother-in-law.

He replaces Lt-Gen Jaafar Onn, 50, a brother of former Prime Minister Hussein Onn. Lt-Gen Wan Ismail becomes the new army corps commander.

Although he was deputy to Hussein Onn for more than five years, Dr Mahathir was effectively excluded from the security portfolios. He often felt insecure, especially when the powerful Home Ministry, which deals with Communist subversion, was solidly under his rival, Tan Sri Ghazali Shafie.

When Dr Mahathir came to power two-and-a-half years ago he quickly took charge of security matters, making himself Defence Minister, and giving the Home Ministry to his trusted deputy, Datuk Musa Hitam. Tan Sri Ghazali was transferred to the Foreign Ministry.

China aims for 240,000 vehicle output in 1984

PEKING — China has set a target for 1984 motor vehicle production of 240,000 units, Mr Li Gang, general manager of the China Automotive Industry Corporation, was quoted by the New China News Agency as saying.

Projected demand next year is 350,000 units and output restrictions imposed because of a shortage of petrol have been lifted, he said.

Actual production in the first 11 months of this year was 233,900 vehicles against forecast 1983 domestic demand of 250,000.

The annual capacity of China's 37 motor vehicle plants was put at 250,000.

Mr Li said China would focus on research and production of heavy and light-duty trucks. Reuter.

'Positive' U.S. response to Thai F-16s request

BY CHRIS SHERWELL, SOUTH-EAST ASIA CORRESPONDENT

THE U.S. has responded "positively" to Thailand's request for 16 F-16 fighter bombers, Air Chief Marshal Siddhi Savetsila, Thailand's Foreign Minister, was quoted as saying yesterday.

His remarks, made in Bangkok, followed a recent visit to the U.S. and a request to the Pentagon from the Royal Thai Air Force.

According to General Arthit Kamlang-ek, Thailand's Army chief, the aircraft are needed to counter a threat posed by Soviet-made MiG-23 fighters operating from neighbouring Vietnam.

The F-16 is made by General Dynamics of Fort Worth, and is reckoned to be one of the most potent combat aircraft yet made. It costs $15-20m, depending on the military "extras" supplied with it.

The Thai purchase would probably be financed by a credit package under the U.S. foreign military sale programme. Deliveries would begin in 1987.

According to the Bangkok Press, the U.S. has previously turned down a Thai request for the F-16C model, which is used by the Israelis. A lower grade version—presumably the A or B series—would, therefore, probably be on offer.

Moroccan debt talks hit snags

BY FRANCIS GHILES

NEGOTIATIONS on rescheduling that part of Morocco's foreign debt which is owed to international banks, and which were expected to be concluded before the end of the year, have run into difficulties.

The 10-bank steering committee, headed by Citibank and Banque Nationale de Paris, which is negotiating on behalf of about 200 banks, has offered the Kingdom to reschedule $482m worth of principal repayments falling due between September 1983 and December 1984 over seven years with three years' grace and with a margin over the interbank rate of 1¾ per cent.

The Moroccans are holding out for a lower margin, between 1¼-1½ per cent over seven years with a four-year grace period. This maturity and grace period would coincide with the terms Morocco has obtained from the Club of Paris which, at the end of October, agreed to reschedule 85 per cent of the $1.5bn worth of government-to-government debt owed by the North African country which falls due over the same 15-month period.

The board of the International Monetary Fund agreed to grant the Kingdom of Morocco a SDR 300m 15-month loan last September 16, following acceptance by the Moroccan Government of austerity measures which included a sharp cut in subsidies on basic foodstuff prices and a reduction in government expenditure this year and next. Of this total only SDR 30m has so far been drawn.

Morocco has so far been scrupulous in paying the interest it owes to the banks, $125m in the three months to December 31 1983 and $271m next year. International banks are, however, worried at the delay.

One reason for it may have been the coming to office two weeks ago of a new government of national unity, headed by the manager of Morocco's state phosphate company, Office Cherifien des Phosphates (OCP), M Mohamed Karim Lamrani.

Meanwhile, Morocco's visible trade deficit during the first eight months of the year declined by about one quarter to $925m. Imports declined by 8.5 per cent to just under $2bn while exports by nearly 15 per cent to just over $1bn.

WORLD TRADE NEWS

Airbus Industrie in plea for UK pledge on A-320

BY DAVID MARSH IN PARIS

AIRBUS INDUSTRIE yesterday launched its strongest-ever appeal for a firm British commitment to help finance the planned A-320 narrow-body Airbus.

M Bernard Lathiere, president of the four-nation consortium, said: "It would be a disaster for Britain" if the UK government did not provide backing for the project.

The call comes as UK ministers are nearing a decision—now expected for January—on whether, and by how much, to support a request for £400m launching aid for the proposed airliner by British Aerospace, the UK shareholder in Airbus.

Chiding UK Government critics who have compared the A-320 programme with the Anglo-French Concorde project, M Lathiere said the new plan was Europe's "last chance" in aircraft collaboration to face up to Boeing, the world's leading airframe manufacturer.

Airbus is pressing for firm government backing for the project to enable it to be launched by early 1984, allowing the first aircraft to be delivered by spring 1988. The A-320 launch has already been held up for more than two years by the recession in the world airline industry.

Of the three main governments involved, France is already giving wholehearted financial backing while Germany is supporting the project in principle but is waiting for a UK decision before granting full cash aid.

M Lathiere said Airbus needed the A-320 to complete its range of available aircraft and to prevent the international airline industry being "at the mercy" of one supplier.

Referring to last month's decision by the U.S. McDonnell-Douglas company to pull out of its projects to build new "high technology" airliners, M Lathiere said: "Many airlines consider us to be the last obstacle between a normal market situation and a monopoly by Boeing."

Mrs Margaret Thatcher, the British Prime Minister, remarked in the House of Commons last month that she did not want "another Concorde" on her hands, but Mr Lathier said she "had not been rightly informed."

M Lathiere was in charge of his government's handling of the Concorde project between 1968-75.

British Aerospace wins £14m Swiss Army order

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

BRITISH Aerospace's Dynamics Group, through its Bracknell Division, has won a £14m contract from the Swiss Army for provision of the computer, system software and spares for the Fargo artillery fire control system.

Fargo has been developed by BAe Bracknell, in conjunction with Zellweger Uster AG, of Switzerland, who will be prime contractor for the production phase.

The system has been specifically tailored to meet the needs of the Swiss Army, which encounters extremes of climate and terrain. Fargo will be able to carry out electronically functions hitherto involving laborious calculations.

The computed results are transmitted by line or radio to each gun, saving considerable time and reducing the risks of human error.

● ALIA, the Jordanian airline, is buying five TriStar tri-jet airliners from Lockheed of the U.S., worth over $200m (£133m).

They are the last five TriStars that Lockheed is building. The company has already said that production will cease from next year, with 250 aircraft built.

As with the existing aircraft, the additional five will all be fitted with Rolls-Royce RB-211 engines. They will be used to develop the airline's routes to North America and the Far East.

Soviet trade surplus with Comecon rises

By Leslie Colitt in Berlin

THE SOVIET Union's cumulative trade surplus with the six other East European Comecon countries rose to 15bn transferable (TR) roubles ($17.5bn) in the first nine months of this year. This was more than double Moscow's trade surplus with its partners in all of 1980.

A report on Soviet energy supplies to Eastern Europe by the German Institute of Economic Research (DIW) says this energy-induced surplus, which it considers a Soviet credit, is the reason Moscow cut its oil deliveries to Eastern Europe by 10 per cent beginning in 1982.

Despite this drop, the increase in Soviet oil and gas prices this year caused Moscow's surplus with Eastern Europe to exceed that in all of last year by 2bn TR roubles at the end of September.

DIW says evidence indicates that a change in the formula for calculating the price of Soviet energy deliveries to Eastern Europe was made in 1981 from a sliding five-year average of world prices to a three-year sliding average.

Using the three-year formula, it notes, the average price for Soviet oil in Eastern Europe this year rose to the equivalent of $31.72 per barrel, or 10 per cent more than the average world price.

Soviet oil will cost Eastern Europe $31.83 a barrel next year and is expected to drop to $30.67 in 1985, it says.

The Institute notes the five-year formula gave Moscow a 50 per cent gain in its terms of trade with Eastern Europe between 1975 and 1982. But it was also an indirect subsidy to the East Europeans who did have to pay Opec oil prices. It estimates gross savings to Eastern Europe in this period at 25bn TR roubles.

The burgeoning Soviet trade surplus with Eastern Europe—which gets 78 per cent of its energy from Moscow, means that only a drastic fall in Eastern Europe's specific energy consumption can prevent a further drop in economic growth according to DIW.

In order to pay for its energy imports, it says, Eastern Europe will have to provide more so-called "hard" goods to the Soviet Union which it would like to export to the West.

Managua has begun its most ambitious scheme since the revolution, Tim Coone writes

Nicaragua embarks on inter-ocean railway

THE NICARAGUAN government has embarked on its most ambitious project since the 1979 revolution. It plans to build an inter-ocean railway across the country. It was just such a project, and a proposed canal, that helped bring down Nicaragua's first nationalist leader, Gen Jose Zelaya in 1909.

The reason then was that the first interocean ship route, the Panama Canal was already being built by a U.S. company with U.S. finance, and a U.S.-owned railway had been operating across the Panamanian isthmus since 1855. Gen Zelaya's proposals and his opposition to U.S. involvement in building a Nicaraguan canal—and his courting of the Europeans to build it—led to his downfall when 400 U.S. Marines landed to support a dissenting general in overthrowing him.

The Sandinista Government has dusted off Gen Zelaya's plans and is now proposing to build an inter-ocean railway to link the Pacific port of Corinto with a new deepwater port being built on the Atlantic Coast at El Bluff.

Last year, torrential rains and floods destroyed large sections of Nicaragua's aging narrow-gauge railway system on the Pacific, and after several months of deliberations the government finally decided to rebuild the system on a standard (1,435 mm) gauge and to extend it to the Atlantic Coast. The aim is to transfer goods traffic from road to rail and shave $20m from the country's annual $40m oil import bill, to make further savings of $70m annually on the country's trade which presently passes through Panama, and to earn foreign exchange from international cargo traffic using the new trans-isthmus route.

The project is expected to cost around 10 bn cordobas ($1bn) of which around half will be spent on equipment on contracts overseas. Total length of the route, including branch lines, is 650 km and construction will begin at a rate of 50 km per year. Work on the first 20 km from Corinto to Chinandega is already under way and is expected to be completed by early 1984. The entire first stage of Corinto to Managua is due to be completed by 1987.

Sr Jose Valdivia, the head of the project Proferic (Proyecto Ferrocarril de Nicaragua) said in an exclusive interview that "the government would be well disposed towards foreign companies interested in participating in a joint venture with Nicaragua to build the railway, considering the high cost involved and the shortage of foreign exchange that Nicaragua faces."

He added that purchasing contracts awarded on the project would most likely be tied to the availability of trade credits. Cuba is assisting already in the building of a concrete sleeper factory and in providing technical assistance in planning and constructing the railway; Argentina and West Germany are apparently interested in selling the project its first diesel electric locomotives; while Spain has sold Nicaragua the first batch of steel rails for the Corinto-Chinandega section. The Soviet Union is providing steel for bridge construction.

Sr Valdivia said that the route will be a fully protected way, built to a design speed of 120 km/hr and equipped with modern rolling stock and signalling systems. The entire single-track route, once completed in 10 to 15 years, is also to be electrified using hydro-electric and geothermal energy projects come on line.

Proferic has been authorised by the Government to negotiate its own loans and contracts, apparently to sidestep some of the more ponderous channels of ministerial bureaucracies.

The progress of the project's first stages have advanced rapidly under direction of 200 Nicaraguan technicians and 50 Cuban assistants.

But given Nicaragua's own limited resources, and the departure of many Cuban advisers, a shortage of foreign interest in a recent interview that capital is likely to hamper the project.

Portugal hopes for £797m textile exports next year

BY DIANA SMITH IN LISBON

THE RENEGOTIATION of Portugal's textile export quotas with the European Economic Community and European Free Trade Association (EFTA) can mean textile exports in 1984 of Esc 150bn (£797m), according to Sr Alvaro Barreto, Trade Minister.

Sr Barreto informed representatives of Portugal's textile industry, which accounts for 42 per cent of all industrial output, that contrary to the difficulties of 1982, renegotiation of European quotas this year had gone well.

Almost two-thirds of Portugal's textile exports go to Western Europe, British manufacturers have complained about strong Portuguese exports of products such as T-shirts whose manufacturing costs are below the UK's and which sell for less than British products.

Portugal's textile industry is in a state of flux. Some large, efficient factories with rapid market response have developed in the last decade.

But many small companies with old-fashioned management and little knowledge of markets or quality control are in financial trouble. The small companies make up the bulk of the industry.

Medium-sized foreign-owned textile factories, especially Dutch and Swedish enterprises shipping their output to their homelands, appear to be enjoying booming sales of relatively high-priced quality clothing.

Many Portuguese Governments have recognised the need for reorganisation of the industry, but have shelved concrete plans successively.

EEC accession, which will bring highly-diversified foreign investment and division of labour, is bound to hurt the hundreds of small, under-capitalised textile concerns running on obsolete machinery.

EEC 'dumping' duty on choline chloride

By Paul Cheeseright in Brussels

THE EUROPEAN Commission yesterday imposed a provisional anti-dumping duty for four months on sales of choline chloride, used in animal feedstock, from Romania and East Germany.

The rate of duty is 27 per cent for East Germany and 17 per cent for Romania. The level of the duty was settled by comparing the import prices with average production costs in the EEC.

A complaint about low-priced sales of choline chloride was brought by the Council of Chemical Manufacturers Associations last April in line with their general policy of vigorous pressure against anything hinting at unfair trading practices.

The European Commission found dumping margins of 77 per cent on the East German sales and 41 per cent on the Romanian sales. The market share of the two countries went up from 19 to 25 per cent between 1980 and 1982.

Singapore companies to process Indonesian crude

BY CHRIS SHERWELL IN SINGAPORE

SINGAPORE'S oil-refining companies expect to process sizable quantities of Indonesian crude in the first quarter of 1984, contrary to earlier fears that the trade would dry up altogether with the expansion of refineries in Indonesia.

The news represents a boost for Singapore, whose rated refining capacity of 1.1m barrels a day makes it the third-largest refining centre in the world after Houston and Rotterdam.

Exact amounts of Indonesian crude likely to be processed remain uncertain, and could be less than the estimated 70,000-100,000 b/d handled in the fourth quarter of 1983. It is thought that Indonesia may also be wanting to negotiate on a month-to-month basis, rather than quarter-to-quarter.

Singapore's five refineries have been running below capacity this year because of a slack international market, and Shell, which runs by far the biggest operation, warned as early as last February that it expected to mothball plant because of new capacity coming on stream in other South-East Asian countries.

Indonesian business has run as high as 150,000-200,000 b/d in the past, but was expected to stop altogether with a doubling of capacity to 400,000 b/d of refineries at Cilacap and Balikpapan. A third is also being expanded as part of an Indonesian self-sufficiency drive.

However, both refineries had to be shut down earlier this month, apparently because the new facilities were run up to capacity too quickly.

Refined oil products destined for the domestic rather than export market soon filled the storage tanks to the limit because demand at home remained slack.

Oil companies see the maintenance of refining trade with Singapore as a pragmatic move to avoid a repeat of this experience once processing at the two Indonesian refineries resumes shortly.

AMERICAN NEWS

IMF suggests less ambitious borrowing plan to Grenada

BY HUGH O'SHAUGHNESSY, RECENTLY IN ST GEORGE'S, GRENADA

THE INTERNATIONAL Monetary Fund has suggested to the interim administration in Grenada that the $14.1m extended fund facility granted to the government of the late Prime Minister Maurice Bishop in August and suspended by the IMF after the U.S. invasion should be replaced by a smaller loan.

The extended fund facility, disbursement of which was suspended by the IMF at the beginning of the month amid protests from the Grenadians, was due to be paid in equal tranches over a three-year period. The IMF now wants it replaced by a less ambitious borrowing programme that would take into account the assistance that Sir Paul Scoon's administration is receiving from the U.S. and other governments. Washington has pledged $15m in new aid.

In any event, the IMF has made plain, Grenada could expect no more money from it until April next year.

During the four and a half years that Prime Minister Bishop's government ruled Grenada, the island received an average of some $30m a year.

Donors included Cuba, the Soviet Union, Britain, Libya and other Arab and Soviet bloc countries. In successive memoranda, the World Bank praised the economic strategies being pursued by the revolution, though it called on Mr Bishop to give more support to the private sector.

$4m bond for Chile murder

NEW YORK — A federal judge on Tuesday ordered Chile's national airline to secure a $4m bond to cover the money the Chilean Government owes for arranging the car-bomb murder of its former U.S. ambassador, Sr Orlando Letelier.

Judge Morris E. Lasker ordered that Lan-Chile Airlines, which he said transported the bomb materials, be put in receivership if it fails to secure a bond by December 27.

The receiver in charge of the airline would be Mr Michael Moffitt, who survived the attack that killed his wife, Mrs Ronni Moffitt and Sr Letelier. Mrs Moffit was Sr Letelier's aide.

The bond would assure that Sr Letelier's family and Mr Moffit could collect if the award is upheld on appeal.

The Letelier and Moffit families won $2.9m from Chile in 1980 in a suit charging the Chilean intelligence agency ordered the September 1976 slaying in Washington. They say that with interest, they are now owed $4m.

The Chileans would not pay, contending they are immune from foreign lawsuits. Lan-Chile has indicated it will appeal. It maintains it is separate from the Chilean Government AP

William Chislett meets a trade union leader whose power extends into the Government

Don Fidel, a monument to Mexican unity

"UNITY is saving Mexico from disaster," says Sr Fidel Velazquez, the 83-year-old king of the country's trade union movement. *Don Fidel, as he is* reverentially called, is himself regarded as the main unifying factor which has held Mexico together and allowed the country, until its present crisis, to enjoy a long period of high and sustained economic growth.

Mexican presidents come and go, but Don Fidel, head of the Confederation of Mexican Workers (CTM), which groups over half the 7m unionised workers out of a total labour force of 20.6m, has survived seven presidents. The CTM is the main pillar of the Institutional Revolutionary Party (PRI) which has governed Mexico for 54 years.

Mexicans joke that Don Fidel is immortal. It is a national pastime trying to work out when he will retire, and he has already been commemorated with a statue.

Outside his office in the new five-storey CTM building, well-dressed, portly trade union leaders speak in hushed tones while they wait, sometimes for hours, to see him. A PRI state governor is whisked through the group as soon as he arrives, emerging from Don Fidel's office five minutes later. No visit to Mexico City is politically worthwhile without a courtesy call on Don Fidel.

Unity runs like a theme through his conversation. He wears tailor-made pinstripes and puffs a fat cigar. While he talks, his eyes hardly move behind his tinted glasses.

"We have to be very careful that our differences with the Government do not divide us," he says, admitting that it has not been easy to persuade workers to tighten their belts and take a large drop in purchasing power, to help solve Mexico's serious debt crisis.

Without the CTM's support, the Government could not implement its stabilisation programme with the International Monetary Fund. "The situation is getting worse day by day and we do not know for how much longer we can maintain social peace," Don Fidel says.

The union leader was 10 years old during the bloody anarchy of the 1910 Mexican revolution, in which 1m people were killed. He began work as a milk roundsman and in 1923 headed the milk industry's union. After the PRI was founded in 1929, in an attempt to create institutional channels to solve the disputes between warring factions, he was instrumental in forming the party's labour sector. The PRI also has peasant and middle class wings.

The CTM has started discussions with the Government over the wage increase for 1984, which will be announced on

Don Fidel Velazquez . . . commemorated with a statue

January 3. He declined to discuss the size of the increase because "we have learned from experience that as soon as we mentioned a figure, companies put up their prices and then go so again after the increase is granted."

It is understood that wages will rise in line with next year's projected rate of inflation of 40 per cent, but there will be no recuperation of the 25 per cent decline in real wages this year. Unionised workers, however, unlike the impoverished army of unemployed and underemployed are cushioned by cheap Government housing and free medical care.

Don Fidel has long been campaigning in vain for the establishment of benefits for the unemployed and a 40-hour week, which he says would increase full time employment by 18 per cent. "Now more than ever these things are needed." The economy was no longer creating the 700,000 new jobs needed to satisfy entrants to the labour market.

The fierce competition for jobs is having a moderating influence on union demands. The Left accuses Don Fidel of having sold out to the Government and of allowing a corrupt aristocracy of union leaders to be in league with the private sector. Businessmen admit that they pay union leaders to "control" their members.

Don Fidel himself has a clean reputation, which may explain his popularity. It is said that he used personally to visit his bank every month to pay off a loan he had obtained to buy a piece of land on which to build a house. "Most union leaders are so rich they can pay for anything straight off," said an observer.

Don Fidel has no time for the Left, whom he accuses of *being dogmatic.* "We Mexicans know how people live in socialist countries where all freedom has been crushed and people are subjected to the whims of plutocrats."

He is more concerned about the recent gains in municipal elections by the Right wing National Action Party (PAN) than any threat posed by the United Socialist Party of Mexico. The PRI, he said, needed more internal democracy and better candidates in order to reform itself and regain people's confidence.

He criticised state governors and influential public officials for designating candidates over the head of the PRI and imposing them in the party's middle class and peasant wings. This was causing a lot of bad feeling and was losing the PRI votes.

Don Fidel laughed at the widespread fears expressed by Mexican and foreign businessmen that when he leaves the CTM there will be a Left wing shift in the movement and inter-union rivalry which could split the organisation. He has left no known successor and all his lieutenants are well over retirement age. The younger generation of official union leaders is more radical.

"These fears are unfounded. One day I have to retire. I cannot thing of running the CTM in ten years' time. Workers are conscious of the need for unity and to maintain their relationship with the Government. Only in this way can Mexico continue to grow."

Montonero leaders return from exile

By David Welna in Buenos Aires

TWO FORMER Peronist provincial governors who spent the last seven years in exile as heads of the outlawed Montonero terrorist group returned to Buenos Aires late on Tuesday from Brazil to announce the dissolution of their organisation.

One of them, Sr Ricardo Obregon Cano, the former Cordoba Province Governor, was promptly arrested by airport police.

The other Montonero leader, Sr Oscar Bidegain, was received at Ezeiza International Airport by about 500 Peronist youth supporters beating drums and chanting: "The blood that was spilled will never be negotiated."

Sr Bidegain, Governor of Buenos Aires Province under the Peronist government of 1973, said the movement was being dissolved due to what he called "the defeat of the oligarchic-military regime," a reference to the military government which relinquished power on December 10.

He said the Montoneros organisation will be replaced by "the authentic Peronist party," with the deceased Eva Peron as its spiritual leader.

The Montoneros began in the *late 1960s as a right-wing* Catholic nationalist faction of the Peronist Party.

They later vered to the left and gained notoriety in the early 1970s by kidnapping senior military officers and business executives.

Former President General Juan Peron encouraged the *Montoneros when they worked* for his return from forced exile in Spain, but later disowned the group in 1974 shortly before he died.

The Montonero leaders not killed by the armed forces during a bloody campaign against the Left following the 1976 military coup have been *living in exile.*

Their return has caused widespread apprehension. Many Argentines see the organisation as part of the past that they never wish to see repeated. They blame the Montoneros for providing the military with an easy pretex for the 1976 coup.

Last week President Alfonsin issued a decree ordering the indictment of four Montonero leaders on charges of murder and incitement to violence.

Reagan pledges further support for Salvador

WASHINGTON — President Reagan has pledged to continue U.S. support for the Salvadorean Government's attempt to establish democracy.

In a televised news conference on Tuesday night, he also said El Salvador had stepped up its efforts to contain Right-wing death squads.

Mr Reagan said Mr George Bush, U.S. Vice-President, had delivered a message from him to Salvadorean officials earlier this month stressing the importance of controlling the death squads, blamed for killing thousands of people in El Salvador's civil war.

"They (the Salvadorean *Government) are being assailed* by radicals from both sides," the President said.

Reuter

Mexico stands by debt accord

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

MEXICO has reaffirmed its intention of sticking by the terms of rescheduling agreements for its public sector debt negotiated in principle a year ago.

The reaffirmation follows press reports in the U.S. that Mexico had asked its creditor banks, with the backing of Federal Reserve Governor Paul Volcker, to reopen the agreements and renegotiate them on favourable terms. Yesterday, however, Mexico signed a further set of agreements cover*ing $323.5m (£228m) in debt* falling due this year and next at 11 public sector entities.

"The 11 agreements confirm again the commitment of Mexico to reschedule its public sector debt on the basis of restructuring principles telexed to international banks in December of 1982," a Finance Ministry spokesman said after the signing.

The new agreements cover the debt of industrial affiliates of the Somex financial agency. They bring to $23bn the total rescheduling agreements signed so far which is 98 per cent of the debt subject to rescheduling.

Separate talks were continuing in New York yesterday between Mexican officials and leading bank creditors over terms of a $4bn loan to be arranged for Mexico to cover *its 1984 financing needs.* Bankers denied that Mexico had sought to reopen the rescheduling agreements at the talks but the high interest margins being charged on the rescheduling were brought up in the discussions.

● Cuba is due to sign in Paris today an agreement *on re*scheduling payments due in 1983 to around 150 commercial bank creditors in the West, **writes David Marsh in Paris.**

The agreement, with a group of banks led by Credit Lyonnais, covers roughly $130m in debt payments on medium-term loans which should have been made to banks between September 1982—when Havana halted repayments—and the end of this year.

Additionally, the banks have agreed to continue to extend into 1984 about $270m in short-term credits to the Cuban Government.

The accord was hammered out in principle in meetings between the banks and the Cuban Government this spring. But the signing has been held up by months of legal difficulties.

Airline breaks off talks with striking pilots

HOUSTON — Continental Airlines has broken off negotiations with striking pilots because of a demand by the union that the airline replace working pilots with returning strikers.

Representatives of the Airline Pilots Association and company officials had been meeting in Los Angeles. Continental said the talks had been making progress until the pilots' latest demand.

The airline claims the union is asking it to break the law. It said the Supreme Court had ruled in the case of another company that permanent employees hired to replace strikers *and later fired to make room* for returning strikers could sue for damages.

AP-DJ

CONTRACTS & TENDERS

COMPANY NOTICES

UK NEWS

Prosecution may result from nuclear discharge

BY IVOR OWEN

OFFICIALS of British Nuclear Fuels (BNFL) or the company itself may face prosecution over a series of radioactive discharges into the sea from its Sellafield plant (formerly known as Windscale) in Cumbria, North-west England.

This was announced by Mr Patrick Jenkin, the Environment Secretary, in the House of Commons last night. He reported that a management error in the operation of the reprocessing plant last month resulted in radioactive liquids, including solvent and matter of higher than normal radioactivity, being discharged into the Irish Sea.

He said that while it seemed clear that there had been no breach of the authorised quarterly numerical limits on the discharge of radioactivity, there might well have been breaches of other conditions.

These related to the need for exposure from discharges to be kept as low as reasonably achievable and the obligation to maintain proper records.

Mr Jenkin stressed that it was for Sir Thomas Hetherington, the Director of Public Prosecutions, to decide whether proceedings should be instituted and if so against whom any charges should be preferred.

It is understood that any prosecution would be under the Radioactive Substances Act 1960, which covers offences of consent, connivance or neglect in allowing discharges in breach of conditions. Under the Act, the maximum penalty is a fine of £1,000 or three months' imprisonment or both.

Mr Jenkin emphasised that extensive and continuing monitoring of the environment had confirmed that the risk of harm to the public was, and remained, extremely small. A report on the marine environmental and agricultural consequences of the discharge showed that there had not been any significant effect on fish, shell fish or other foods.

The minister reported that radioactive flotsam was still occasionally being found so that it was not yet possible to withdraw the advice given to the public to avoid unnecessary use of the beaches in the area. But it remained true that any risk of contamination to the public was extremely small.

Mr Jenkin said that action had already been taken to prevent any repetition of such an incident, which occurred during the washing out of the plant during annual maintenance.

Setback to cement import plan

BY PETER BRUCE

AN ATTEMPT by a Belfast-based distributor to break into the UK mainland market with cement imported from West Germany received a setback yesterday.

The Docklands Development Corporation in London said it had turned down an application to erect an asphalt and tarmac plant at Bridge Wharf on the Isle of Dogs. The plants were to have been built on the site Lagan Cement, the Belfast company hopes to use as a cement import terminal.

The application was rejected on environmental grounds. The corporation said it wanted to attract newer "industries of the future" to the Isle of Dogs.

It was not clear yesterday whether the same criteria would apply to a request for planning permission to erect a 30,000-tonnes a year cement import terminal and a cement bagging plant on the site.

Mr Kevin Lagan, chairman of White Mountain Quarries, a Lagan holding company, said he was not disappointed at the decision. He insisted that application to erect the cement terminal would go ahead in January.

The London stock market reacted nervously to news of Lagan's plans which, if successful, could undermine the delicate pricing structure controlled by the major UK producers – Blue Circle, Rugby and RTZ Cement.

Shares in Blue Circle, the market leader, dropped 10p during the day but closed 5p down at 420p. Rugby shares also dropped slightly but ended the day unchanged at 95p.

A number of observers in the cement and ready mixed concrete industry are understood to be sceptical about Lagan's proposals. In particular, it is felt that its plan to set up a ready mixed concrete operation in London is fraught with difficulties. Local supplies of aggregate are closely held and Lagan's alternative – shipping aggregate from Belfast – could prove too costly.

Pay deals remain ahead of inflation

By Philip Stephens

PAY SETTLEMENTS in the present wages round are running below last year's levels but on average are still above the rate of inflation.

The Confederation of British Industry's (CBI) latest survey shows that two-thirds of pay deals in the manufacturing sector since August were lower than those agreed in 1982.

The CBI's monthly databank survey, which covers 185 agreements made since August, says that nearly 50 per cent of workers settled for between 5 and 6 per cent. That compares with latest figures showing inflation running at 4.8 per cent in the year to November.

Some 18.9 per cent of the deals notified to the CBI were for increases of between 7 and 8 per cent, while a relatively insignificant 5.4 per cent of workers got between 9 and 10 per cent extra.

Among settlements at the higher end of the scale have been Ford and Vauxhall deals for increases between 7.5 and 7.75 per cent.

More encouraging for the Government was a 2.5 per cent settlement at Leyland Vehicles. The CBI reported that 19.5 per cent of companies surveyed had agreed to increases of between 3 and 4 per cent.

At the bottom end of the scale some 6.5 per cent of workers had accepted rises of less than 2.5 per cent.

The CBI figures, however, understate the rise in average earnings, since they do not include such factors as overtime and bonus payments. Most recent official statistics show that average earnings have been growing at an annual 7.75 per cent.

U.S. groups may challenge N. Sea oil price strategy

BRITISH NATIONAL Oil Corporation has received broad acceptance from major operators in the North Sea for its proposals that prices remain unchanged in the second quarter. But it seems set to face a tough rearguard action from two U.S. companies.

British Petroleum, Shell, Esso and Britoil – accounting for about half of UK production – have all said they wish to maintain price stability on the basis of a $30 a barrel reference for Brent Blend, and to avoid the risk of a collapse in the Opec price structure.

Two U.S. companies, Texaco and Chevron, may resist strongly, making final and complete acceptance difficult to achieve. Significant to them would be the fall in the price of West Texas Intermediate crude, which is comparable with top North Sea varieties and often regarded as the U.S. reference.

● PRIVATISATION of British Steel's (BSC) ferrous ring-rolled and railway products business moved ahead yesterday. A new company, United Ring, is to be formed and a stock exchange listing sought after agreement was reached to merge the ferrous ring-rolled activities of British Steel Corporation, Woodhouse and Rixson and Inco Alloy Products.

● DU PONT is to spend £18m at its Northern Ireland synthetic rubber factory on converting heating and electricity generating plant from oil to coal.

● TIGHTER controls are to be imposed by the Government on advertisements in the UK seeking deposits in offshore banking centres. There has been concern about possible abuses in the promotion of these deposits. The intention is to ensure that advertising is brought broadly into line with those for banking deposits in the UK.

● A BAN on overtime working imposed by mineworkers six weeks ago was having so little impact that at the present rate of output there would be coal stocks for "many years ahead" the National Coal Board said yesterday. Miners are estimated to have lost £24.5m in earnings.

● ERF, the heavy truck producer, has shelved a plan to build in Britain 12 to 15-tonne vehicles from components supplied by Hino of Japan. The project has been deferred because of the collapse in the value of the yen against the pound, Mr John Nobbs, ERF's secretary and finance director said. ERF had hoped that the vehicle would capture 10 per cent of the market sector in Britain.

● PREMIER Consolidated Oilfields has made what it describes as an "exciting" discovery in the North Sea west of Dundee. The flow rate tested at 4,315 barrels a day was of a light crude similar to that produced by Shell in the nearby Fulmar field.

● REUTERS and the BBC are to carry out a feasibility study for an international television news service by satellite and cable. BBC would provide the news programmes to Reuters, which would then distribute and market the service.

● GAS prices for domestic users will rise by 4.3 per cent early next year, but contract rates for industrial customers will remain frozen until April 1.

THE ARTS

Record review

Operas off the beaten track

Lully: Armide. Rachel Yakar, Zeger Vandersteene, Ulrick Cold, Ulrich Studer, etc./Ensemble vocal et instrumental de la Chapelle Royale/*Philippe Herreweghe*. Erato STU 715302 (two records).

Gluck: Armide. Felicity Palmer, Anthony Rolfe Johnson, Raimund Herincx, Linda Finnie, etc./Richard Hickox Singers, City of London Sinfonia/Richard Hickox. HMV SLS 1077513 (three records), also on cassette.

100 Years of Italian Opera: Vol. 1, 1800-1810. Eiddwen Harrhy, Sandra Dugdale, Yvonne Kenny, Della Jones, Diana Montague, Keith Lewis, Russell Smythe, Roderick Earle, etc./Philharmonia/David Parry. Opera Rara ORH 101 (three records).

Verdi: Ernani. Placido Domingo, Mirella Freni, Renato Bruson, Nicolai Ghiaurov, etc./Orchestra and chorus of La Scala/Riccardo Muti. HMV SLS 1435843 (three records), also on cassette.

Boito: Nerone. János B. Nagy, Ilona Tokody, Lajos Miller, Klára Takács, József Dene, etc./Hungarian RTV Chorus and State Opera Orchestra/Eve Queler. Hungaroton SLPD 12487-9 (three records), also on cassette.

Alwyn's *Miss Julie* along with Benjamin Luxon, Della Jones, John Mitchinson/Philharmonia/Vilem Tausky. Lyrita SRCS 121-2 (two records).

By strange but pleasing coincidence, two companies have simultaneously released recordings that between them shed light on one of the curiosities of opera history. In 1868 Philippe Quinault produced for Lully the *Armide* libretto that was to mark their final collaboration. Ninety years later, in an act with few (if any) precedents in operatic creation, Gluck fixed upon the same Quinault libretto as a means of continuing his great chain of Parisian masterpieces. (It was, as Ronald Crichton has pointed out, as though Ravel had gone to the dead Scribe, rather than to the living Colette, for an opera text.)

There are many more operas on the Tasso theme of the enchantress Armida and the knight Rinaldo (Handel's, Haydn's and excerpts from Dvorak's are among those currently available on record). But the confrontation of Lully the Italian founder and Gluck the Bohemian saviour of the French grand-operatic tradition illuminates in a quite special way the continuity and durability of that tradition, and the puzzling fact that (Rameau and Berlioz apart) it has regularly required an influx of foreigners to appreciate its grandeur and contrive or preserve its existence.

Lully's opera is surely his masterpiece, a beautifully finished baroque creation warmed by the melodic inventiveness that in other revivals he has often seemed to lack. Gluck's is something more: one of those rare "Janus operas" that appear (and allow the listener) to look both ways at once, summing up the *tragédie-lyrique* style that Gluck was determined to salvage, peering with extraordinary power, passion and psychological intuition into the Romantic future. Both operas have long been needed; to have them both at once is richness indeed!

The two sets are interestingly complementary in other ways. Erato has made a brutal excision of Lully's entire fourth act (in Quinault's libretto it forms a diversion to the main theme, and for that reason it has often been criticised). The performance itself, based on authentic instruments and executive practice, is a delight, lively, well sprung, in the main well sung, even if in the title role Rachel Yakar seems to be giving unheeded lessons in the difficult art of varying and vitalising recitative.

The Gluck is founded upon the 1982 Spitalfields Festival *Armide*, given at Christ Church in an eccentric, unforgettable production by Wolf-Siegfried Wagner. Unlike the live performance, the recording is absolutely complete; but as captured on record much of the singing sounds inexpert, and Richard Hickox's tempos are not always well-judged. The studio has also more nakedly exposed the strain of Gluck's exigent vocal writing on Felicity Palmer's top register. That said, though, Miss Palmer's grandly uninhibited response to the most rounded and detailed of Gluck's female characters is one of the reasons for welcoming this *Armide*. The main one, of course, is the work itself: it contains some of the most intoxicating, most enchanting music Gluck ever wrote.

Opera Rara's latest exploit is the inauguration of a project exploring the byways of 19th century Italian opera. If this first instalment (of a planned 10) is typical, the complete issue will become one of the shining deeds of opera recording in the 1980s. The first decade fills in the background to the emergent Rossini, and demonstrates the survival in new guises of *opera seria* and *buffa*. It is not just library-shelf material: Mayr, Winter, and Paer in the serious excerpts and Mosca and Fioravanti in the comic open the door on a world of hardly-guessed vitality. The singing, by familiar local names, does very nicely even where it lacks the last degree of Italianate brilliance. Available from 25, Compton Terrace, London, N1 (£16), the album deserves wider circulation.

The third complete recording of *Ernani* (taken "live" from La Scala last year, in a performance also recently televised) is the Verdi reading of Muti's that comes nearest so far to fulfilling the requirements of Verdi style — it is less driven, more "breathed," than *Nabucco* or *Traviata*, if still rather less than ideally so. There are disappointments from each of the principals: Freni too small of stature, Ghiaurov elderly-sounding in an unhelpful way; both Domingo and Bruson are caught in uneven form. With all its faults this is the best *Ernani* so far, a "real" performance of an irresistibly, indeed elementally exciting opera.

The big discovery in 19th century Italian opera is the first publication of Boito's *Nerone* — his second opera, set down, tinkered with, and worried over for 60 years, and at his death still incomplete. Eve Queler, conductor of a recent New York concert performance, has joined forces with Hungaroton to put on record a thrillingly committed account of a huge score masterly in its originality and breadth of vision, tantalising for the way that, far more than in *Mefistofele*, Boito's musical gifts so closely approach and then fall back from Verdian greatness. The Hungarian recording captures the vast dimensions of the Roman epic with wonderful fidelity; Miss Queler's conducting has tremendous sweep; and the Hungarian cast, led by the mettled *tenore robusto* János B. Nagy as Nero and the soprano Ilona Tokody (due at Covent Garden as Mimì), is without serious weakness.

It is perhaps not entirely misplaced to consider William Alwyn's *Miss Julie* along with the 19th century Italians; for, like Walton's *Troilus*, it is essentially an English composer's attempt to discover new life and energy in the forms and manners of late-Romantic Italian opera. Alwyn pared down and radically re-made the Strindberg play himself, and in its way his is a very able "operatisation" of an intractable subject. *Miss Julie* is, altogether, an able, well-made opera — a more sophisticated elder sister of *Rebecca*, going with considerable skill over well-trodden ground. The work was first given, in 1977, on Radio 3, by the conductor and three of the four excellent principals of the Lyrita. Good that it has been recorded; strange that it has not yet been staged, for in a well-ordered operatic world there ought to be space available, between masterpieces, for "Aunt Edna" operas like *Miss Julie*.

MAX LOPPERT

Alastair Muir

Ron Moody as Fagin: brought most of the house down

Oliver!/Aldwych

Nigel Andrews

In the tiny pattern of great British musicals, *Oliver!* must teeter near the top. Distilling the melodrama and sentiment from a Dickens novel rich in both, Lionel Bart adds a dash of comedy all (or mostly) his own, plus tuneful songs which grow easily out of the set-piece style of the Dickens narrative. In performance, the turning world of Victorian London is marvellously caught in Sean Kenny's revolving timbered set; a place where Dickens's lunatic small-world coincidences (fancy Mr Brownlow turning out to be Oliver's rich relation) jostle with the sudden blood and thunder ("Ah-ha, caught you, me boy!") of more unwelcome reunions.

And if Dickens didn't have Ron Moody in mind when he created Fagin, whom did he have? Moody has eyes like live coals, twitching hands and tapping feet, electrified beard and hair, and a voice that can purr, whine or thunder according to choice. His "Pick a pocket or two" brought most of the house down, and his "Reviewing the situation" brought down the rest.

Nancy and Sikes are the two blood-curdlers held in reserve by Bart whenever the musical threatens to become too sweet. Linal Haft's Sikes has clearly been to the Richard Harris voice training school, speaking through a filter of hoarse gravel; but he can also thunder when he chooses. Jackie Marks is a buxom, spitfire Nancy. Her voice could be more melodic, but it rings out with fine chesty power at the climax of "As long as he needs me."

Of the other grown-ups Peter Bayliss is best. With his self-important sibilants and goldfish gasps, Bayliss makes the Beadle a glorious unwieldy bundle of pretension. His Scene Two dialogue with Meg Johnson's tart Mrs Corney, a harpy who would certainly clean round all his corners, is the comic delight of the evening. The audience took a special shine to his comment on her much-cuffed cat: "Hmm — interesting breed — *flat-headed*."

The title role makes nigh-impossible demands — angelic looks and air of pint-size innocence, plus a voice that can hit the back of the gallery. Anthony Pearson's Oliver looks right and acts perkily, but the voice needs more oomph. David Garlick's Artful Dodger is a delightful thieve's-kitchen dandy, forever shooting his threadbare mittens for want of cuffs or walking with metronome cockiness, thumbs in waistcoat. Marsha Bland's strongly-sung Bet also deserves a plaudit: she *can* hit the back of the gallery.

Peter Coe's production is well drilled and action-packed, though it takes time to warm up. The London Bridge climax and the all-cast finale both pack a vigorous punch; and at curtain call the players were bullied into several encores.

Special Occasions/Ambassadors

B. A. Young

Bernard Slade knows when he is on to a good thing. He had a success with *Same Time Next Year*, and followed it up with *Romantic Comedy*. (I never saw *Tribute*, which came between them, so I won't say anything about that.) But now he has written *Same Time Next Year* and *Romantic Comedy* again, under the title *Special Occasions*, and has come to London to direct it himself.

Of course the details are different in these three plays, but the theme is the same—a chart of the ups and downs of a long period of marriage and non-marriage. In *Special Occasions* we only meet two characters, Michael and Amy. They are about to divorce in the first scene, and about to remarry in the last (of a dozen).

Michael (John Alderton) is a playwright who has just been sacked from a television stint and is going to write for the stage. Amy (Jan Waters) is at that point a foul-mouthed alcoholic, but nice enough in other respects. They are celebrating their 15th wedding anniversary before their divorce. Offstage, they have three children.

Alastair Muir

John Alderton and Jan Waters

Amy improves after the shock of going to the wrong funeral when she should have been at her mother-in-law's. Michael, with a play about to open, has a girlfriend called Vanessa; but on Christmas Eve he turns up at the party Amy is about to give for the children and intimacy takes place, Vanessa having given him the chuck.

Another wedding opens the second act—Amy's to Ira, her lawyer. (The play has been anglicised for this production, but it is odd to see a divorced woman preparing for a full white wedding.) Michael comes to her room as she is dressing for the ceremony and employs an attack of back-trouble to go into another clinch.

But the marriage to Ira prospers for a time, and attention moves to the next generation. Kelly, the youngest child, has an illegitimate son, and Michael shows an unexpected grandfatherly affection. Amy, however, confesses that she is sleeping around. Next, Stephen, the eldest, is hurt in a car accident: Michael is more grandfatherly than ever, except to look at; but Amy, efficient though she be, grows increasingly hard. Then Kelly marries someone we don't know, Bob, and Stephen, recovered and revealed (to his father anyway) as a writing genius, is best man, while Jennifer, the middle child, plays the organ. What could possibly happen then but a remarriage?

Amy remarked of Julie, Michael's first girl-friend, that "everything she said seemed to have quotation marks round it," and the same thing goes for Mr Slade. What we have here is a succession of elementary emotional situations, dealt with by ready-made dialogue. They could go on for ever. Lovers of magazine fiction will laugh and cry like mad, I expect. I found myself absolutely unmoved the whole evening, in spite of my liking for both the players.

Ravel-Varèse Festival

Max Loppert

The second instalment, on Tuesday, of this brilliant exercise in fresh illumination through imaginative programme-building was given by the BBC Symphony at the Festival Hall under David Atherton. It was an immensely enjoyable but also immensely unsettling concert; for while three of the four Ravel works in it are normally, and singly, regarded as popular orchestral showpieces, the juxtaposition with each other and with Varèse's *Amériques* worked a remarkable shift of emphasis. Each of the Ravel contributions (even, though to the smallest degree, *Rapsodie espagnole*) insinuated a vision of nightmare, which Varèse's first mature composition then brought out terrifyingly into the open.

"O my America! my new-found land!" might be the subtitle of *Amériques*, which makes strong claim—or so it seemed after this shattering performance of it, immaculately built and sustained with implacable drive and determination through every climax to the last and loudest—to be counted Varèse's masterpiece. The America of the composer's recent first experience fuels the America of his imagination—a symbol (so he insisted) of discoveries physical and spiritual, a New World (with its siren yowls and densely patterned outbursts of mechanistic clangour) in conflict with the Old, a vision of modernity at once liberating and disruptive that is as significant (and still modern-sounding) as anything in 20th century music.

Mr Atherton, quite clearly a Varèse interpreter of the front rank, showed once again a somewhat less certain command of Ravel; yet on this occasion, unlike in the festival opening last week, each score revealed scrupulous fresh consideration, and paid commensurate rewards. The ear-focussing quiet playing of much of the *Rapsodie* was an example; so to the acute layering of crepuscular low sounds—which seem to evoke the commencement, faint yet menacing, of a dream—out of which the main subjects of both *La Valse* and the Piano Concerto for the left hand are gradually unfolded.

The concerto soloist, not fully virtuoso but full of convinced ideas, was Paul Crossley (a pity he was forced to perform on an instrument with so twangy and ill-voiced a bass register). Likewise, Mr Atherton's control over *Boléro* was firm, but not quite inevitable (with playing less assured than elsewhere); all the same one was left in no doubt of a vision of mechanised mindlessness quite as compelling and disturbing in its way as anything in Varèse.

Glyndebourne deputy is appointed

Guus Mostart has been appointed deputy to Sir Peter Hall at Glyndebourne, with effect from January 1 1984.

As deputy to the artistic director, Guus Mostart's position will be similar on the production side to Martin Isepp's position as head of music staff.

Guus Mostart continues as director of production for Glyndebourne Touring Opera, a post he has held since 1980.

He has worked at Glyndebourne since 1977, assisting Sir Peter on four productions (*Fidelio, Cosi fan tutte, A Midsummer Night's Dream* and *Orfeo ed Euridice*), preparing revivals of productions, and directing them for Glyndebourne Touring Opera.

Nightshoot/Tricycle

Martin Hoyle

There is undoubtedly a black comedy to be written about a nuclear crisis set in a bunker peopled by a power-mad military American, a cynical TV director and a pair of stray innocents from pop music. This is not it.

Bob Mason's post-disaster media world churning out palliatives is depicted in strip-cartoon terms, but without the wit. Laboriously contrived twists to the broken-backed plot fail to disguise the author's uncertainty as to how seriously to take his characters: when Hazel O'Connor, learning of a radio-active London, laments her mum and her world, it is too little too late.

Nor is continuity aided by Miss O'Connor giving vent to chestily throbbing ballads at crucial points. The voice is intense but not always intelligible. When the caricature villainous Yank (*Strangelove* did it better) immobilises her with "new nerve gas—it saves a lot of yelling" one sees his point.

At times a note of genuine cataclysmic humour is essayed, as when the post-nuclear air "smells of a million Sunday roasts" or "40,000 people sucking pear drops"; but I suspect there is little *faux* about this naïr in view of such subsequent embarrassments as a shocked victim lapsing into Sixties flower-child jargon. Dig? Alas, I do.

Lacking motivation, Robert Longden's alcoholic media man taps a vein so idiosyncratic as to verge on the loopy.

But he provides the evening's main interest despite the odd desperate recourse to his own gags. Not even he can redeem Ken Chubb's messy direction—not since the school play have I seen so much masking—of a clumsy piece. Jacqueline Tong and Dave Scott, Reithian ethos v Sunday supp opportunism, do well as an improbable television crew. The evening ends with a portentous drone led by Miss O'Connor, at whose teenage public this play is presumably aimed.

Alastair Muir

Hazel O'Connor

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

December 16–22

Exhibitions

WEST GERMANY

Hanover, Wilhelm Busch Museum, 1 Georgengarten: The first venue of the roving exhibition with 176 etchings and lithographs by George Cruikshank, the British cartoonist. Ends Jan 8

Bonn: Rheinisches Landesmuseum: The most comprehensive exhibition of contemporary U.S. art ever shown in West Germany. It features works from the 1970s and 1980s by nearly 50 artists representing such styles as pattern and decoration, new image, new wave, new expressionism and graffiti. Ends Jan 15

Berlin, Martin Gropius Bau, 110 Stresemannstrasse: The Federation of West German Artists is showing the work of 300 contemporary painters to document artistic trends. Ends Jan 8.

Hamburg, Kunsthalle, Glockengiesserwall: Luther And The Consequences for The Fine Arts has 540 graphics and paintings from the Reformation to today illustrating the great reformer's impact on many artists. Ends Jan 8.

Hamburg, Kunstverein, Glockengiesserwall: More than 120 drawings, water colours and gouaches from between 1910 and 1955 by Fernand Léger. Ends Jan 1.

Frankfurt, Städel, 63, Schaumainkai: The centenary of Max Beckmann, the outstanding German expressionist, is marked by 180 works from 1915 to 1933. Ends Feb 2.

Baden-Baden, Staatliche Kunsthalle, 8a Lichtentaler Allee: 20th century art including paintings and sculpture by Mondrian, Miro and Beuys. Ends Jan 6.

Hamburg, Altonaer Museum, 23 Museumstrasse: "American Folk Art" has 200 paintings, drawings, textiles, ceramics and sculptures from the 18th century to date by U.S. artists. Ends January 15.

PARIS

Raphael – Three exhibitions pay homage to the great Renaissance painter – born 500 years ago. The Grand Palais assembles, for the first time, most of the paintings and drawings from French museums, among them Le Petit Saint Georges, La Belle Jardinière and Balthazar Castiglione's portrait. Another exhibition shows Raphael's influence on French art from the 16th century to the present. Grand Palais (2615410). Closed Tue, Wed late closing. Ends Feb 13. The Louvre completes the anniversary celebrations with an exhibition of the most brilliant of Raphael's collaborators, among them Giulio Romano, and of his disciples. Louvre, Cabinet Des Dessins (2603926). Closed Tue. Ends end of Feb.

Balthus – in collaboration with the Metropolitan Museum 50 paintings and as many drawings are shown in the secretive painter's first retrospective revealing a universe peopled with adolescent girls and cats in an atmosphere of troubling innuendoes. Centre Georges Pompidou. Closed Tue. Ends Jan 23 (277 1233)

Cycladic Art from the N. and D. Goulandris Collection – more than 200 remarkable items dating from the third century B. C. are being shown at the Grand Palais before returning – definitely – to Athens. Grand Palais (ends Jan 9). Closed Tue, Wed late closing night 10 pm (2615410)

LONDON

The Hayward Gallery: Raoul Dufy – a timely reminder that this hero of countless chocolate boxes and post cards, the acceptable face of modern art, was not only a significant painter but a Fauvist of peculiar character, a follower but no slave of Matisse, who later developed into a decorative artist of the first importance. His elegantly perfunctory notation, and his characteristic imagery – white sails in the bay, palm trees below the balcony, bright silks against the apple green of the racecourse, have been taken up and broadcast endlessly by lesser talents. His fabric designs and tapestries are especially remarkable in a beautiful and necessary exhibition. Ends Feb 5.

The Hayward Gallery: Hockney's Photographs – a brisk survey of Hockney's practical use of the camera from simple reference and aide memoire to photographic exercises. This latter aspect developed slowly but has speeded considerably in the past 18 months. The composite photographic image is no longer just a simple still life or portrait study, but a strange and intriguing image of an event, a sequence of action, a passage of time. Ends Feb 5

Royal Academy: The Genius of Venice – we are treated to a show in the grand old manner of the Royal Academy's Winter Exhibitions. It treats us to exclusively the painting and, to a lesser extent, the sculpture, that Venice produced in the 16th century. If Bellini and Carpaccio are honoured more by their absence, since the panels now are just too fragile to travel (though the Lion of St Mark's is Carpaccio's), there is so much that has been brought in from all over the world that compensation is hardly the word. So, from the shadowy, speculative presence of Giorgione in the beginning, to the emotional extravagance of Tintoretto filling the lecture room at the end, and in between the great spaces of the Academy filled with Titian, Veronese, Bassano, Lotto, et al., we are indulged in a way unlikely ever to be repeated in our time, if at all. Ends March 11

ITALY

Milan: At the Chiesa delle Grazie there are 100 pre-Raphaelite and Neogothic paintings for church windows.

Venice: Palazzo Ducale, 7000 years of China exhibition. Ends Dec 31. Museo Correr: Titian's engravings on show. Palazzo delle Prigioni: exhibition of works by Massimo Campigli.

HOLLAND

Irish Culture from 3000 BC to 1500 AD in Amsterdam's Rijksmuseum until Feb 26. The Book Of Kells, the most magnificent illuminated version of the gospels in Europe, is joined by a hoard of bronze, silver and gold treasures, all finely wrought and many of them encrusted with jewels – a reminder that long before its present troubles, Ireland had its Golden Age and was the last repository of Western art and learning to fall to the Vikings.

One hundred paintings by modern Dutch artists at the Stedelijk Museum, Amsterdam. Until Jan 8.

NEW YORK

Metropolitan Museum of Art: 75 works from the 20th century collection of Baron Thyssen-Bornemisza will include 10 of his latest acquisitions. Featured in the show will be works by Kandinsky, Picasso, Gris, Dali, Bacon, Freud and Rothko. The recent acquisitions are works by Georgia O'Keeffe, Balthus, Mondrian, Picasso and Natalia Gontcharova. Ends Nov 27

Cantor Sculpture Centre: Set against a spectacular view of New York atop the World Trade Tower, 35 Rodin sculptures are displayed in the enlargements and reductions carried out by Rodin collaborator and reproducer Henri Lebosse. One World Trade Center, 105th storey

Manet (Metropolitan Museum of Art): Almost 200 important paintings marking the 100th anniversary of the artist's death are included in the most comprehensive Manet exhibition for nearly a century. Ends Nov 27

WASHINGTON

National Gallery: Art of Aztec Mexico combines works confiscated during the Spanish conquest of 1521 with the unearthing in 1978 of the Great Temple of Tenochtitlán, capital of the Aztec empire, in central Mexico City. The most comprehensive Aztec art exhibit ever mounted in America reflects the religion that suffused the Aztec culture, with gods performing sacrifices that had to be repeated by man in order to keep the sun moving across the sky and the cosmos working. Ends Jan 8, 1984

Hirshhorn: 138 works by 62 European and American 20th century artists illustrate the contemporary theme of Dreams and Nightmares for Society. Timed to usher in Orwell's dreaded 1984, the exhibit runs the gamut of artists from Russian constructivists with their misguided dreams to a large sampling of American and German artists affected by the century's wars. Ends Feb 12.

National Museum of Natural History: The Precious Legacy contains 350 secular and religious Jewish objects the Nazis preserved in Czechoslovakia for a "Museum of an extinct race", covering five centuries of gold, portraits, textiles and other crafts from the collection of the State Jewish Museum in Prague. Ends Dec 31

CHICAGO

Museum of Contemporary Art: 46 paintings of Superrealist Malcolm Morley trace the British-born painter's style from its origins in abstract works through Pop art to the ocean liners based on postcards that show the photo-realist influence of his self-styled Superrealism. Organised originally by the Whitechapel Gallery in London, the show includes recent pastoral landscapes with beach scenes and animals. Ends Jan 22

Business starts to grow again

By DAVID BUCHAN, East Europe Correspondent

TRADE BETWEEN East and West has been kicked around as a political football—directly by the Reagan Administration strongly opposing certain technology and energy aspects of it, indirectly by the Kremlin urging its Comecon partners to trade more among themselves and by inference less with the West.

But there is plenty of air left in the football. Member countries of the Organisation for Economic Co-operation and Development in the West and of Comecon in the East still exchange more than $70bn in merchandise a year. This is nearly $10bn below the 1980 peak. But business is on the increase again.

In the first half of this year Soviet exports to the industrialised West rose in volume by 4 per cent, after 10 per cent growth last year, and exports of the six East European countries in Comecon increased 4 per cent after three successive years of decline.

Western exports to the Soviet Union rose a further 1 per cent after their 5 per cent gain in 1982; Western deliveries to Eastern Europe continued to decline in the first six months of 1983, but at a 7 per cent rate instead of the 16 per cent fall last year.

Overall, Western trade with the East this year has been somewhat more dynamic than with the rest of the world.

East-West commerce, at a fairly high volume, seems to have a way of surviving the slings and arrows of politicians. Natural complementaries exist between the mineral and energy rich Soviet Union and raw material short Western Europe and Japan, and between food-short Comecon and food-surplus North America and Australasia.

For the West, the East is a source of still sizeable contracts that help maintain Western employment in time of recession because the East is generally less susceptible to the business cycles that characterise capitalism. For the East, the West is the source of the best industrial technology that their money can buy.

By the close of 1983, both sides seem better placed to move ahead again in trade. The Eastern countries have put themselves into a large surplus position on their hard currency trade with the non-Communist world (developed and developing countries).

These surpluses, according to United Nations estimates, will amount to $6.4bn collectively for the six East European countries — East Germany, Czechoslovakia, Poland, Hungary, Romania and Bulgaria—and to $7.1bn for the Soviet Union this year.

Viewed more narrowly this has pushed Western Europe into deficit with the East and reduced the North American surplus, though Japan continues to improve its trade balance with Comecon. What it means, however, is that the East has the financial means, if it chooses to use them, to start increasing imports from the West again.

In the West, the dust is beginning to settle from the 1980-82 disputes about sanctions and embargoes on trade with the East. The rough compromise that seems to be emerging is U.S. acquiescence in the arguments of its European and Japanese allies that sanctions as a form of political protest (over the invasion of Afghanistan and martial law in Poland) have only short-lived symbolic effect, and that embargoes to weaken the Soviet economic base (one of Washington's rationales for opposing Western involvement in the Siberian gas pipeline) are futile.

A sign of this is the Nato discussions about putting an end to sanctions on Poland. As a sort of return, the U.S. has got the acquiescence of its allies in tighter export controls on technology that might be usable in Warsaw Pact weaponry, although the argument is still about how much tighter.

American grain shipments to the USSR (left) provoke less controversy than equipment for the Siberian-Western Europe gas pipeline.

East-West Trade

At more than $75bn a year, trade has survived the political tensions between East and West. But to start growing again, it needs to become more broadly based

It might therefore seem that both East and West are ready to resume 1970s-style growth in their trade. But this is not so. The vicissitudes of recent years have left scars, and the tense political-military climate is not conducive to their quick healing.

In particular both sides have doubts about their dependence on each other in three broad areas (discussed in more detail elsewhere in this survey).

The first is financial. The caution here is now less on the Western side. Western banks, and to some extent governments, have put the total $60bn Comecon debt in a wider context, realised that it amounts to one-third of that of three Latin American countries alone, and concluded that Comecon merits selective lending again. Not to Poland and Romania (except under the force majeure of rescheduling), but to the others.

Few of the other five Comecon countries, however, want more money. Hungary and East Germany do, but mainly to service present debt. The three —the Soviet Union, Bulgaria, Czechoslovakia—which could use more Western credit to buy new goods from the West rather than to service old debt do not want to borrow much more.

Almost all Comecon countries feel that the 1981-82 credit squeeze showed up their financial vulnerability to the West. They want to play safe and are doing their utmost to reduce their hard currency debt.

Until they have succeeded further, their strategy, except perhaps in the case of the Soviet Union whose debt is dwarfed by its gold reserves, will be to keep imports from the West growing below the rate of exports to the West.

Less reliance on Western bank credit, even on trade-related credit, implies more reliance on cash and counter trade to finance purchases from the West.

A second area of concern is technology trade. The inhibition here is mainly on the Western side. The Reagan administration feels, and is in the process of trying to convince its allies in the Co-ordinating Committee (CoCom) in Paris, that the Soviet Union has been able to turn Western civil technologies, particularly in the electronics field, to military use and that shipment east of such "dual-use" items should be further restricted.

The fact that today's civil applications (computer games) of "dual use" technologies often run well ahead of military applications (missile guidance) makes control very hard to enforce, particularly when microchips can be slipped into pockets or data fed over telephone lines. But by the same token, attempts at thorough enforcement, which the Reagan administration vows, could give CoCom controls an impact on East-West trade which they have not hitherto had.

Aware of this, the Soviet Union has been urging its Comecon allies that they should make more of the products the West threatens to embargo. Whether they can succeed is open to some doubt. They have the brainpower and the skills and have launched ambitious Comecon-wide programmes in, for instance, electronics and robotics.

The problem lies in the systemic barriers to innovation in the East, separation of R & D from production, plan targets of quantity rather than quality and so on.

Restricted trade in high technology would compound the problem of the present narrow commodity make-up of East-West trade. This is the third area of concern, and it is shared by both sides.

East-West trade is concentrated on a more limited range of products than the trade of either East or West with other parts of the world. Primary products (principally energy, and Soviet energy at that) make up around 70 per cent of Comecon exports to the West, while manufactured goods have sunk to less than a third of the total.

Western exports to the East have shifted towards food and intermediate products and production materials and away from machinery and equipment (now about a quarter of the total).

Neither East nor West is very happy at having to rely on the other, its major potential adversary, for commodities so basic as food and fuel. Both sides are to some extent trying to reduce this dependence. The Soviet Union has its "food programme" aimed at increased self-sufficiency in agriculture. This year West European members of the International Energy Agency agreed that they would carefully examine non-Soviet sources of supply before buying more Soviet gas beyond their latest Siberian gas contracts.

In the light of these inhibitions, East-West trade will have to become more broadly based if it is to grow in the late 1980s at anything like its 1970's pace. The West has plenty more to offer outside CoCom-covered items; the constraint is Eastern demand, though this is likely to pick up as financial pressures ease and Comecon countries import the machinery and equipment they need for modernisation.

The onus is thus on the East to broaden its offer to the West, bearing in mind, of course, Western protectionism against imports of many basics like food, textiles, steel, even chemicals and the cavalier attitude which the European Community often takes in charging Comecon countries with dumping.

One hopeful sign for better Comecon export marketing is the recent widespread changes in foreign trade organisations (FTOs), which have hitherto had sole export/import monopolies and tended to be divorced from producers and manufacturers, to the detriment of Eastern or Western buyer or seller.

The reforms range from letting larger companies do their own foreign trading (as in Hungary and Poland), to allowing producers to run their own FTOs or integrating existing FTOs into manufacturing companies (in the rest of eastern Europe).

Classic style

The Soviet Union alone has not decentralised its system at all but then the classic style FTOs are best suited for bulk trade in simple commodities, which is what most Soviet exports are.

More basic, market-oriented reforms in Comecon would facilitate East-West trade. This is being done piecemeal at present, with Hungary well to the fore, following by Bulgaria and Poland, with Czechoslovakia, Romania and even the Soviet Union, showing signs of interest and East Germany blank disinterest.

The contrast between Hungary today and Poland in the 1970s shows that Comecon countries with realistic pricing and decentralised decision-making make much better long-term trading partners for the West. Better trading arrangements inside Comecon itself might help, not hinder, East-West trade.

That this is so is clear from the developments in the first half of this year, when the upturn in East-West trade coincided with a sharp upswing in intra-Comecon trade. But continuation of the latter may depend on structural trade reforms in Comecon.

Such reforms are on the putative agenda of a Comecon summit meeting which has been repeatedly postponed over the past two years. It might still take place next spring, Mr Yuri Andropov's health permitting.

West - East flow: high technology sh are of exports in decline

Western family jewels remain intact

PART OF the popular argument in the West for increased controls on exports to the Soviet bloc rests on the impression that a predominant share of Western sales to the East is in high technology. This is not so.

In fact, the Comecon countries now buy less industrial technology (turnkey plants, machines, licences, know-how) and more food and intermediate products (like chemicals) as a proportion of their total imports from the West than they did 10 years ago.

The broad category of machinery and equipment, much of which might be described as technology-intensive, accounted for a third of total Comecon imports from the West in 1970 and declined to a quarter 10 years later.

The element in these imports that can properly be described as advanced is much smaller. A recent U.S. Commerce Department study defined "high technology" as made up of some 30 categories in the standard international tariff code, including computers, some machine tools, electronics, telecommunications, turbines, X-ray equipment and so on.

By this definition, Communist countries (including China) bought in 1981 only 4.1 per cent (4.7 per cent in 1970) of worldwide Western exports of high technology.

Slightly smaller

There is, in fact, a slightly smaller "high technology" share in Western exports to the Communist world (9.3 per cent in 1981) than in Western exports to the world as a whole (12.4 per cent in 1981). That does not prove the Soviet bloc is less hungry for Western advanced technology; it partly shows the greater Comecon need temporarily for Western grain and intermediate products.

It does, however, correct any misapprehension that in general terms the West has been giving away the "family jewels" in terms of technology to the Soviet bloc anymore than to the rest of the world.

That said, there seems nonetheless to be a disposition among Western governments to tighten, selectively, security controls on technology exports to the East — partly because of pressure from the Reagan administration and partly because of present East-West political and military tensions.

One concern centres on the balance of economic advantage in technology trade. It is clear that the East has gained more from its technology purchases from the West than vice versa (see accompanying article).

Much of the Soviet chemical and car industries has been, and is still being, built by the West, for instance. The Soviet oil and gas industry has drawn heavily on equipment from the West.

By contrast, machinery and equipment accounted for a mere 6.3 per cent of Comecon exports to the West in 1980 and only 1.8 per cent of Soviet exports to the West. The trade in "disembodied" technology such as licences is equally lop-sided, with Western sales predominating over Eastern.

However, the lop-sided economic nature of East-West technology exchange is not of general concern to Western governments, except to some in the Reagan Administration who believe that Western technology has been a vital prop to the Soviet civil economy and that, if this prop were removed, Soviet leaders might be forced to switch resources out of the military into the civilian consumer sector.

This was an argument used for a time by Washington to back its opposition to Western involvement in the Siberian gas pipeline. But, as the row over the same Siberian pipeline showed, it is not shared by U.S. allies in Western Europe and Japan.

They see little evidence that the Soviet Union would be susceptible to any general Western economic pressure. This difference of opinion naturally reflects the fact that technology sales to Comecon are far more important for Western Europe and Japan than for the U.S., both in absolute and relative terms.

Yet there is more general support for the Reagan Administration view that Western technology has been an important prop to the Soviet military sector, and that for straight security reasons export controls should be tightened. Many U.S. allies have found fairly convincing in the absence of any evidence of their own to the contrary, recent U.S. intelligence evidence that the Soviet Union has used some Western technologies, particularly in the computing and electronic area, to build weapons better and quicker than it otherwise could have done.

The upshot is that, while the Western allies still disagree sharply over export controls for foreign policy purposes (such as the sanctions on the Soviet Union after its invasion of Afghanistan and its condoning of martial law in Poland), they agree in general that further efforts should be made to keep out of Soviet bloc hands technologies that could be put to military use.

This is now being discussed in the Coordinating Committee (CoCom), the organisation based in Paris which vets sales by almost all Nato countries and Japan to Communist countries.

The key issue in CoCom, now as always, is which technologies can be considered "dual use" (with military as well as civil application) and therefore should be placed on the CoCom embargo list that forms the common denominator of national export controls of individual Western governments.

CoCom reviews this list every three years, adding new items and subtracting those which have become dated or of less *military relevance*—*the general* aim being to maintain the Western technical lead over the East. The usual division is between the U.S. pushing for maximum controls and its allies trying to keep them to a minimum, and the current review which began in autumn 1982 is no exception.

Unusual

What makes the list review unusual, prolonging it until sometime next year, is the scale of the U.S. proposals to both broaden the scope of controls and change the nature of the CoCom machinery. They include:

● A switch in the focus of CoCom controls towards restricting technologies basic to civil and military industry, such as microcircuitry and perhaps less emphasis on controlling end-products, like individual chips, which may be hard to reverse engineer. Whether this would mean a net expansion or contraction of the CoCom list is not yet clear. The U.S. Government studied this "basic technology" approach to export controls since the mid-1970s, but still not incorporated it fully into its own national control list. But the probability is that it would widen the CoCom net.

● Special priority for control of some 14 categories. Agreement has been reached on some, such as floating dry docks, spacecraft and special composite materials potentially useful as ballistic missile heat shields. But major disagreement remains in such traditional problem areas as computers. The U.S. also wants robotics controlled for the first time, as well as computer software, which is considerably more problematic than tracking the flow of hardware.

● A "watch list" of emerging technologies which the U.S. feels might have future military potential. The U.S. has received allied agreement on this, partly because it is not an additional embargo list. The aim is to alert Western officials to potential technology risks before the risks become actual and before they take up too much commercial investment.

● A military committee to sit alongside the diplomatic representatives that presently make up CoCom. This would give Western military officials a direct say in drawing up the CoCom list and in vetting the roughly 1,000 requests for exceptions to the embargo list which national governments file on behalf of their companies every year. U.S. allies have generally objected to the *military committee idea, which* they feel would upset CoCom's present delicate balancing act between political, defence and trade interests. They say the proper place for military input into export licensing is in national capitals — and if in fact that were to happen, U.S. officials say they would rest their case.

Even tightened CoCom controls will not affect more than a tiny percentage of Western exports to the East. But they will dampen at least psychologically, the East-West trade climate. The Soviet Union has already been telling its Comecon partners that the East must make more of the technology which the West threatens to embargo.

Stricter CoCom controls will inevitably increase enforcement problems, as the East tries to get illegally (often in via neutral countries) what it can no longer get legally.

DAVID BUCHAN

WESTERN TRADE BALANCE WITH COMECON

	1980	1981	1982	Jan-June 1983
Bulgaria	0.63	1.03	0.75	0.34
Czechoslovakia	−0.16	−0.32	−0.33	−0.39
East Germany	0.36	0.12	−0.68	−0.02
Hungary	0.56	0.85	0.72	0.18
Poland	1.23	0.86	0.01	−0.01
Romania	0.58	−0.36	−0.80	−0.6
East Europe	3.19	2.18	−0.34	−0.5
Soviet Union	−2.88	−0.23	−0.05	0.7

Source: United Nations Economic Commission for Europe.

East - West flow: inventors are not very market-conscious

Comecon good buys hard to spot

LAST MONTH Voest-Alpine of Austria announced further expansion of the plasma furnace process in its Linz steel mill. It said the process, bought as a licence from East Germany, had already been proved in the Freital special steel works in East Germany, where some 500,000 tonnes of quality steel had been produced with less dust, gas, noise pollution and with less electricity than other methods.

This is a classic instance of where the East has something to offer the West in technology. The East-to-West flow is not as great as the West-to-East traffic, but it comes as a surprise to many in the West that it exists at all. According to one rough estimate, Comecon countries have sold around 1,500 licences since 1965 outside the Soviet bloc, of which perhaps 500 are still active. During the same period, Eastern countries bought about 2,400 licences from the West, with a higher proportion still in use.

The value of individual Comecon technology licence exports is generally lower than those imported from the West, partly because equipment deliveries are less often part of the Comecon licence package and partly because Western licences bought by Comecon countries tend to be used on a national scale. A Comecon enterprise or foreign trade organisation will usually buy a Western licence to plug a technological gap in the national plan, while the Western purchasers of Eastern licences usually supply a smaller portion of a given Western market. Sometimes, too, licences are bought by Western companies as a friendly gesture to their eastern trading partner or as the result of Eastern insistence on countertrade, in know-how as well as merchandise.

Little exact data on the sale of licences by Comecon countries to the West exists. But the Soviet Union, Czechoslovakia, East Germany, Hungary, are the leading licence exporters in the East, with Poland having fallen a bit behind and Romania and Bulgaria bringing up the rear.

This reflects the size of the Soviet economy, the longer industrial traditions of Germans and Czechs, and the inventiveness of Hungarians. On the Western side, Japan, France, W. Germany, and Italy have all been quite big buyers of Eastern know-how, with the U.S. not far behind, and the UK a somewhat worse market for Eastern technology as it is for most foreign know-how.

Characteristics

There are a couple of general characteristics about Comecon licence sales. The first is that they tend to be process rather than product technology; product licences for soft lens (Czechoslovakia) or surgical stapling guns (the Soviet Union) tend to be the exception. This is partly because of the known difficulties in centrally planned economies, with their usual separation of R & D from production, in speedily translating new ideas into full scale production, and partly because of the relative lack of attention to consumer products.

Some changes which may help remedy this are underway in economies as disparate as the Soviet Union and Hungary. A combination of stick (rejection of substandard products) and carrot (innovation bonuses of up to £36,000 from 1985 onwards) is being tried in the Soviet Union, while Hungary has an official Innovation Fund to bring new ideas to the market-place.

The second characteristic is that Comecon licence sales tend to be in fairly traditional fields such as metallurgy, mechanical and hydraulic engineering, energy, mining (where the East is quite strong), plus the medical and biochemical field (in which the East has always had a keen interest). They are, rather obviously, less concentrated in electronics, computers, plastics, even chemicals where the East is well behind the West. The East has sometimes turned this deficiency to advantage, going the "mechanical route" and refining traditional technology in search of greater efficiency, instead of the "electronic route" pursued by the West in search of greater automation.

The Soviet Union, for instance, sold licences for its "dry quenching" system for cooling down coke used in blast furnaces to Nippon Steel of Japan, Newton Chambers of the UK and Thyssen, of West Germany, according to Mr B. Kurakin, head of Licensintrog, the Soviet licensing agency. This system saves on the waste and pollution caused by simply pouring water on the coke as often done in the West. Another widely purchased Soviet licence is the evaporation blast furnace cooling process.

It is perhaps curious that the Soviet Union and some of its Comecon partners, whose oil and gas prices are below world prices should have energy-saving processes in metal making to sell to the more conservation-minded West. It is on the other hand, little surprise that the Soviet Union with its enormous pipe and rail network should have welding technology to offer the West. This, for instance, has been sold to the U.S. and used to weld rails on the Washington DC metro system.

Because most saleable Comecon technology is process rather product, it is often hard for the potential Western buyer to spot. Eastern inventors are often not very market-conscious, particularly in the Soviet Union where a few years ago an official complained that ministries had no systematic approach to patent protection for Soviet products and inventions. Of 70 R & D institutes in the Ministry of Instrument Making, he said, only nine even recommended taking out foreign patents. According to Mr John Kiser, a U.S. specialist on Eastern technology sales, "the most commercially successful licence sold in the U.S., the Wichterle soft lens, came about through the initiative of a U.S. company that learned of the research being done in Czechoslovakia and brought it to the attention of the licensing organisation there."

Development

For some of the same reasons, Comecon process or product licences often need substantial further development to be marketed in the West. Japan has excelled in improving on Comecon licences. This, however, is usually reflected in the lower price of the licence.

As far as is known, no Eastern equivalent of CoCom exists to vet technology sales on security grounds. Defence-related technology is kept under much closer wraps in the East, and, though some East German and Czech photographic equipment is believed to have been used in Western military equipment, it is generally of marginal use to the West.

DAVID BUCHAN AND TOM SEALY

Growth is likely as financial constraints ease

THE EXTERNAL finances of the Soviet Union and its six Comecon partners in Eastern Europe—taken as a whole—are in much better shape now than they have been since the start of the 1980s. Boosted exports and slashed imports have put them in collective trade surplus with the non-Communist world.

Lower interest rates have left most Comecon countries with a current account surplus, which they are using to reduce their hard currency indebtedness. Five of the seven are creditworthy by any international measure; the odd men out remain Poland and Romania.

The foundation of the improvement has been in the trade balances of Comecon. After four years of low growth in the Soviet Union and two years of real decline in several East European countries, the first half of this year has seen a decided upswing in economic activity and trade.

The six East European countries increased exports to the industrialised West by 4 per cent in volume in January-June 1983, reversing the 4 per cent decline last year. At the same time they kept imports from the West at some 7 per cent below the level in the first half of 1982, though this is a substantial deceleration in the rate of import cuts which was 16 per cent in 1982 compared to 1981.

Western imports to the Soviet Union, which never had to retrench in the same way that its smaller partners had to, rose another 1 per cent in the first half of this year, while Soviet exports to the West increased 4 per cent in volume.

Collective surplus

The upshot is that the six East European countries will this year chalk up another collective trade surplus with Western countries—1982 was the first year they had done so for a long time—and that Soviet-Western trade will be roughly in balance.

If Comecon's hard currency trade with the Third World is taken into account then, according to the United Nations Economic Commission for Europe (ECE), Eastern Europe will have pushed its trade surplus with market economies up from $5.3bn last year to $6.4bn this year and the Soviet trade surplus will rise from $4.3bn to $7.1bn over the same period.

Interestingly, the ECE in its latest report notes that the upswing in Comecon's trade with the outside world has coincided with a modest quickening of trade inside Comecon. This was particularly noticeable in commerce between the East European countries which grew 7 per cent in volume terms in the first half of the year, after a long period of feeble growth.

The other marked tendency in intra-Comecon trade, the rise in East European exports to the Soviet Union, is simply explicable by the need to pay for higher-priced Soviet energy. This all seems to show that intra-Comecon integration is not inconsistent, as is sometimes believed by observers in the East and West, with increased East-West trade.

After the events of the early 1980s—the Polish financial collapse, the freeze on new Western credit and soaring interest rates on old credit—all the Comecon countries are keen to reduce their hard currency indebtedness. With the exception of Poland, they are now in a position to do so, with trade surpluses that are big enough to pay interest and some principal.

The result is that in 1982 the Comecon countries changed their position from being net takers of funds in the international financial system to net suppliers. The total net liabilities of the Eastern countries which rose a further $4.5bn in 1981 fell last year to $6.7bn.

The gross liabilities, or gross debt of Comecon countries fell $4.7bn last year, due mainly to the fact that Western banks refused to roll over or extend maturities which came due.

At the same time, Eastern assets in Western banks rose by $2bn, though this was almost entirely on the accounts of the Soviet Union which has been rebuilding the reserves it ran down earlier to pay for big grain imports in 1981.

On two criteria that bankers use—assets as percentages of annual hard currency imports and of hard currency liabilities—the Comecon countries are generally much better placed than they were two years ago. The trend towards sounder national financial balance sheets has, according to the ECE, continued into the first half of this year, with a further $1.7bn reduction in net Eastern liabilities.

According to Wharton Econometrics, whose figures show slight discrepancy with the ECE (see chart) Comecon net hard currency debt was down to $61.3bn by the end of last year. Setting this in a wider context, Wharton notes that the $53bn owed by the six East European countries amounts to 8 per cent of their combined national product and about $480 per head of population.

Gold reserves

This compares with the far larger Brazilian and Mexican debts which amount to over 30 per cent of those countries' Gross National Products. For the Soviet Union, the second largest economy in the world, an $8bn debt is tiny; Soviet gold reserves alone are three times the value of that.

So much for the bird's eye view of Comecon external finances. Given the wide differences between Comecon countries, it is useful to distinguish between them in somewhat more detail.

The first group, the Soviet Union, Bulgaria and Czechoslovakia, can be termed the "conservatives." These countries are all in the happy position of being able to let domestic developments determine their foreign borrowing, rather than the other way around.

They have the three lowest debt service ratios in Comecon, and are on this ground the best credit risks in the region for Western bankers. But they are also the most politically conservative and are interested in reducing or simply maintaining liabilities to the West.

Czechoslovakia, this summer raised its first euromarket loan, of $50m, since 1980. But it made clear this does not herald a systematic return to Western capital markets, but was rather a status symbol to show that Prague can get normal treatment from Western bankers, if it wants it.

The second group, Hungary and East Germany, are the "tightrope walkers." They are interested in new borrowing from the West, partly to service their relatively high level of old debt, and, for different reasons, they are able to.

The buoyancy of the Hungarian economy, the result of steady market-oriented reform, plus the country's entry into the International Monetary Fund and World Bank, have reopened its channels to the commercial capital markets. For the last two years it has been by far the biggest Comecon borrower in the West.

East Germany has none of Hungary's advantages, but it does have its special political relationship with West Germany which this year has been turned to good financial use. West German banks this summer lent it DM 1bn, with a Bonn Government guarantee, despite the fact that East Germany has perhaps the poorest record in the East in disclosing financial information.

Casualties

The last group are Poland and Romania, the "casualties" of previous ambitious borrowing from the West. They are the ones that want and need to borrow more from the West, but cannot. But precisely because of this sorry fact, both countries have been forced to push themselves, mainly by import cuts, into surplus on their hard currency trade.

Polish convertible currency trade is likely to be around $1bn in surplus, and Romanian about $1.5bn this year. Romania hopes not to have a third year of debt rescheduling in 1984.

Poland, with a $24bn debt to shoulder, is obviously fated to have to keep on rescheduling principal maturities. It is not yet in a position even to pay the whole interest on its debt, having been fortunately released by Western political sanctions from having to pay interest on official debt to Western governments in 1982-83. Such is its parlous condition that it has been able to get unusually favourable terms from Western banks, with a major portion of interest paid to Western banks in the past two years being recycled back into Poland as a further loan.

Overall, it is clear that the inability of some Comecon countries, and unwillingness of others, to borrow more credit has constrained East-West trade growth. But, with the increase in cash and countertrade and healthier financial positions in the East, the constraint may weaken soon.

DAVID BUCHAN

COMECON DEBT
(end 1982 in $ bn)

Bulgaria	1.8
Czechoslovakia	3.2
East Germany	9.2
Hungary	6.2
Poland	24.1
Romania	8.8
Soviet Union	8.0

Source: Wharton Econometrics.

The flow of cheap Soviet oil has slowed significantly

Era of feather-bedding is over

FEATHER-BEDDING of the East European economies with cheap Soviet oil has not yet completely ceased. But it has been significantly reduced with profound effects on Eastern Europe's energy balance and trade.

Just as the effects of the Western recession and credits freeze since 1980 have concentrated East European minds on economic reform and living within one's means, so too has the USSR's oil industry difficulties forced a fundamental reform in Eastern Europe's energy policies.

That does not mean that Eastern Europe is facing a critical energy shortage. It is not, but the days of profligate energy consumption which buoyed up the East European economies while the industrialised Western nations reeled under the impact of successive oil price shocks are over.

Eastern Europe is now faced with the same painful process of energy readjustment that Western Europe *has already* weathered.

Three main factors, all related to the Soviet oil industry, lie at the root of this readjustment. First, Soviet oil production, which grew at an average annual rate of 6.8 per cent in the 1971-75 five-year-plan and 4.2 per cent in the 1976-80 five-year-plan, has slumped to an average 0.9 per cent a year in the current five-year period.

This slowdown, coupled with the need for extraordinary aid to Poland, forced the USSR to introduce an average 10 per cent cut in planned annual oil deliveries to its other East European partners in the current five-year-plan.

Second, this supply cut was accompanied by a series of price increases for the USSR's East European oil buyers as the "sliding scale" formula, on which intra-Comecon oil prices are calculated as a function of world oil prices in the *preceding five years, reflected world* market oil price rises occurring in the mid- and late-'70s. This pushed the intra-Comecon oil price up by some 70 per cent from 1980 to 1982, or from about *half of the world market price* to about 77 per cent of it.

Sales increased

Third, and most recently, the sharp drop in world oil prices last year which has forced the USSR to increase its oil sales to the West to maintain the level of its hard currency earnings. Eventually, the slump in world oil prices should be reflected, by way of the sliding scale formula, in the price the USSR's East European partners will have to pay for Soviet oil.

The USSR, however, will not be able to provide more oil because of its need to maintain high volume sales for convertible currencies. A sharp rise in world oil prices should, of course release more oil for intra-Comecon trading, but this *would also produce another* sharp increase in price for them too.

So, whatever happens, Eastern Europe has got to get by with less oil and it has been trying hard to do it. With the exception of Bulgaria, apparent energy consumption in Eastern Europe grew by less than 1 per cent a year in 1980-82, with Czechoslovakia, Hungary and Poland achieving an absolute decline in energy consumption in the 1979-82 period.

Moreover, figures produced by Wharton Econometric Forecasting Associates (WEFA) of Washington show that all of the East European countries except Poland have achieved *significant cuts in the ratio of apparent* energy consumption to net material product produced.

Between 1979 and 1982, East Germany cut its energy/NMP ratio by nearly 9 per cent, Bulgaria, Hungary and Romania by 4-5 per cent and Czechoslovakia by 3-4 per cent.

These cuts in consumption have been achieved almost solely through cut-backs in oil consumption. The percentage share of oil in the total energy consumption of the CMEA six (Bulgaria, Czechoslovakia, East Germany, Hungary, Poland and Romania) has fallen from 24 per cent in 1979 to some 20 per cent today, with Bulgaria reducing the percentage share of oil from 39 to 34 per cent, Czechoslovakia from 26 to 23 per cent, East Germany from 21 to *19 per cent, Poland from 16 to* 13 per cent, Romania from 30 to 24 per cent and Hungary from 40 to 33 per cent.

If these sharp cuts in oil consumption show anything it is the tremendous waste of oil endemic to cheap-oil economies. In other words, these countries, so far, have only completed the easy part, largely without any great upheaval or disruption. Also, *these cuts* have taken place in a period of slowed economic growth.

It is interesting to note, for example, that the only Comecon country with any prospect of reaching its original economic plan targets for the current five-year period, Bulgaria, has increased its total apparent energy consumption by 3.6 per cent a year in 1980-82, and that those countries which showed reasonable economic growth in 1982, East Germany and Hungary, also saw their apparent energy consumption rise in that year.

There is, therefore, the likelihood of a period of real energy austerity for the smaller East European countries over the next several years until current investments in the greater utilisation of domestic sources of coal, hydro and nuclear energy pay off and until an *industrial* transition from oil to natural gas can be completed. However, the long-term effects of this process should be beneficial for East-West trade.

More competitive

More efficient use of domestic and imported energy resources should make East European products more competitive in the world market. As a reducing dependence on Soviet oil should also mean a similar cut-back in energy imports from the west, more hard currency should be released for other kinds of imports from *non-Opec members.*

Intriguingly, it is the energy-rich Soviet Union which could face the biggest hurdles. So far it has not achieved anything like the success of its smaller East European partners in cutting energy consumption and has made no attempt at reform to adjust its industry generally to a regime of more moderate consumption. Its foreign trade is also more critically *dependent on energy exports, particularly* and overwhelmingly oil.

This need to maintain the level of its hard currency earning from oil has already forced the USSR to switch from its traditional role as high-price leader in the international oil market to low-price leader in order to keep its market share.

It is also the driving force behind the USSR's efforts to increase natural gas sales to the West to help compensate for any fall-off in hard-currency oil revenue.

There is no spot market for gas, however, nor, with pipeline transport, is it a commodity which can be easily switched around to the buyer with the best offer.

Soviet gas exports to the West can only easily go in two directions—Western Europe and Japan. Unfortunately for the USSR, neither the political nor economic climate in either area hold out any real prospects for increasing gas sales above the minimum levels already contracted for several years.

If that should prove to be the case, it could force the USSR to adopt the same adjustment policies which are now being pursued so painfully by its smaller Comecon neighbours.

TOM SEALY

SHARES OF OECD OIL IMPORTS
USSR and Eastern Europe (mbd)

	1980	1981	First half 1982	First half 1983
USSR				
Crude oil, NGLs, feedstocks	0.64	0.53	0.75	0.73
Refined products	0.36	0.39	0.63	0.65
Total	1.00	0.92	1.38	1.38
Eastern Europe				
Crude oil, NGLs, feedstocks	0.04	0.04	0.03	0.08
Refined products	0.31	0.28	0.21	0.30
Total	0.35	0.32	0.24	0.38
USSR/Eastern Europe total	1.35	1.24	1.62	1.76
(% of OECD imports)	(4.5)	(4.9)	(6.9)	(8.1)

Food trade escapes sanctions

THE SOVIET UNION alone spends about $12bn annually, nearly 40 per cent of its total hard currency income, on the import of grain, meat, butter and other food products. Increasingly it is also becoming a market for Western farming technology, equipment and know-how.

This year the harvest is believed to have been the best for five years with grain production of around 200m tons. But elsewhere in Eastern Europe drought has reduced yields; in East Germany, Hungary, Romania and Bulgaria.

In the Soviet case, however, good harvest years create almost as many problems as bad as they are usually accompanied by *increased crop losses due to* machine breakdowns, inadequate storage, transportation and food processing capacity.

An article in the Socialist Industry newspaper graphically illustrated the kind of problems which still plague Soviet agriculture despite the fact that over the last two five-year-plans no less than 76bn roubles, over £60bn, has been invested in new *farm machinery alone.*

The Rostov Farm Machinery plant produces more combine harvesters than the entire U.S. industry. After years of research and development it introduced two new models the Niva and the Kolos in the early 1970s. In a decade Rostov produces enough to replace the entire Soviet combine fleet.

Despite the vast sums spent on modernising the plant and building the new machines however, the average acreage harvested per shift has only increased from 7.2 hectares with *the old model* to 7.3 hectares with the new.

The reason given for this poor performance is that the engines of the new Kolos machines broke down on average every 5.7 hours *while* the Niva managed 8.7 hours between breakdowns.

"Low quality and low reliability are undoubtedly the greatest scourge of farm machinery today," the paper added somewhat obviously.

Not surprisingly under the circumstances the Soviet authorities have been looking to cooperation with foreign companies to improve the reliability and endurance of their farm equipment and this promises to become a major market opportunity for the foreseeable future.

Trade of this kind does not fall foul of present or foreseeable sanctions, especially in the light of the new U.S.-Soviet grain deal signed in July under which the Soviet Union agreed to take a minimum of 9m tons of U.S. grain annually and the U.S. side promised not to impose agricultural sanctions in future.

Deal cancelled

U.S. sanctions policy after the invasion of Afghanistan scuttled a proposed $300m deal under which International Harvester *would have supplied equipment* and technology to the Soviet Union over a five year period. But negotiations on a less ambitious plan are still continuing which will *not* involve equipment *or plant* construction but would provide the Soviet Union with the technology, know-how and assistance to build International Harvester Axelfio combines in the Soviet Union.

Traditionally, the Soviet Union has shown a strong bias towards the construction of giant plants, both for building big agricultural machines and tractors and for the production *of agricultural chemicals and* fertilisers.

Increasingly, however, the emphasis in future is likely to be on building smaller factories producing smaller, more specialised equipment and chemicals.

A typical example of this trend can be seen in the contract awarded to two Italian companies, Goldoni from Carpi *in Reggio Emilia, which* produces small tractors and cultivators suitable for small private plots and Ruggerini of Modena which produces small air-cooled diesel engines which can be used both to power small tractors, implements and pumps.

Both tractors and engines will be produced under licence in Soviet Georgia where the hilly terrain and small fields are similar to the Italian hill farming for which the machines were developed.

A huge market for small farm implements of this kind could develop if the slow trend towards encouraging small-scale private farming continues.

Many foreign observers believe this to be inevitable in order to counter the drift from the land and raise productivity to compensate for the rapid ageing of the rural population.

But great attention is also now being paid to raising yields by a combination of more scientific application of fertilisers and more *skilful* use of pesticides, insecticides and herbicides. The Soviet chemical industry is not very sophisticated and consists largely of imported plant producing basic bulk chemicals and textiles.

This has opened a growing market for Western specialist chemicals of all kinds, especially for agricultural chemicals.

Imperial Chemical Industries (ICI) is one of several Western companies which have signed long-term trade and cooperation agreements with the Soviet Union putting this trade on a long-term basis. In October ICI took co-operation one stage further with an agreement to apply Western technology, chemicals and methods to four widely different 500-hectare plots in four separate areas of the Soviet Union and try to raise yields on them to Western levels.

As such it joined a lengthening list of Western agricultural specialists who have secured Soviet contracts to help improve the scientific level and effectiveness of wide areas of the Soviet agro-industrial complex from plant and animal breeding to food processing, additives and bio-chemistry.

New techniques

The Soviet Union has earmarked nearly a third of all investment funds to building up the agro-industrial complex over the present decade and the growing number of specialised agricultural trade fairs and specialist exhibitions and seminars now being held in the Soviet Union provides a useful framework for building up contacts.

Elsewhere in Eastern Europe, Hungary and Bulgaria in particular have already mastered many new farming and distribution techniques and the Soviet Union is anxious to satisfy much of its modernisation programme in co-operation with its Comecon partners.

This means that joint ventures or technology transfers to other Comecon countries can also be a way of getting in to the potentially much larger Soviet market.

Hungary and Romania as members of *the* World Bank and the International Monetary Fund, have access to World Bank finance for agricultural improvement schemes. As these contracts are let out to international tender Western companies have open access to the bidding.

One of the biggest opportunities in recent months has been for the supply of grain storage handling and harvesting equipment to Hungary under a $130m World Bank loan.

ANTHONY ROBINSON

EAST-WEST TRADE III

East-West trade seems to have a way of ignoring the on-off dialogues of the politicians. Below are progress reports on the trade relations between the West and the seven Comecon countries

USSR

BY ANTHONY ROBINSON

THE DAYS of the Soviet mega-contract are over. The huge turnkey projects which once were a feature of trade with the Soviet Union have been replaced by a much more selective approach. This reflects the general shift of Soviet investment priorities towards the modernisation and technological updating of existing factories rather than huge, capital intensive green field projects.

Old habits die hard but Soviet planners are now trying to put across the message that small is beautiful and specialisation is the key to higher productivity. Partly, this is a response to the slowdown in overall economic growth and partly to realisation that even in the Soviet Union natural resources are neither cheap nor infinite.

In theory this means that small and medium-sized specialist firms in the West are now much more interesting to Soviet trade delegations and foreign trade organisations than in the past. Part of the evidence for this can be seen in the growing number of specialised trade fairs and technical seminars.

Much depends, however, on the nature of the product and whether it fits into the priorities in the Soviet plan.

The most profitable line of business is selling high technology products and machines banned under CoCom rules. The Soviet Union has stepped up its economic intelligence gathering activities and one of the most important functions of Soviet trade missions and other Soviet officials abroad is to seek out the kind of products and machines required by the Soviet military economy.

But while the Soviet Union has increased its industrial intelligence functions and stepped up the search for businessmen willing to make high profits by bending CoCom rules western customs authorities have created new specialised teams to watch out for false documentation, unexplained changes in destination on the high seas and other tricks of this trade.

The UK customs and excise for example recently set up a special East-West trade unit to keep a closer eye on dubious shipments from the UK.

The interception rate and the risks involved in this trade have increased as a result, witness the most recent impounding of missile-guidance-capable computers re-directed from South Africa to Scandinavia on the way to the Soviet Union.

Few embargoes

The bulk of Soviet trade is legitimate however, reflecting the fact that embargoes only cover a relatively small number of high technology items while the bulk of Soviet imports are foodstuffs, raw or semi-finished industrial goods and medium technology machinery.

West Germany and Finland are two of the most valuable trade partners for the Soviet Union, not because they are sources of high technology products but because they are well-organised to supply a wide range of perfectly ordinary products at short notice. These are often required to make up for shortfalls which have suddenly appeared in one or other aspect of the planned economy. Spare parts, screws, steel plates, basic chemicals, plastics and a huge range of such mundane products make up a high proportion of such trade which is usually done on a cash basis with tried and trusted long-time trade partners.

Perseverance and mutual trust built up over long years of repeat business is the key to success in the Soviet market and the most successful traders are those who keep going back and forth and honour contracts to the letter.

Political factors are also important. French Government demands that the Soviet Union step up industrial imports from France to ensure balanced trade were factors in ensuring French contracts for a complex, sour-gas project near Astrakhan and the recent FFr 1bn (£85m) contract won by Renault to supply know-how and equipment for a new Soviet hatch-back.

Despite all the harsh words in the past the Soviet authorities noted Mrs Thatcher's refusal to toe the U.S. line over Siberian gas pipeline orders and are aware that without more orders for British companies some will drop out of the bidding for future deals.

This may not be in the broader Soviet interest. Soviet FTO's like to take the fullest advantage of their position as monopoly buyers by playing off companies and countries against each other to obtain the best terms. The more players in this game the better, from the Soviet point of view.

Poland

BY CHRISTOPHER BOBINSKI

AS IF three years of import austerity for Poland were not enough, next year will be the same, for Western exporters at least.

Those businessmen, and the numbers visiting here are creeping up, who are doing business and who have managed to corner some of the $4.5bn which went on imports from the West this year are not complaining, however.

Deliveries on the basis of confirmed letters of credit which is the way most goods are delivered to Poland now may not be terribly ambitious but at least payments are prompt and sure.

A degree of decentralisation has also come to foreign trade with the hard currency retention accounts which enable companies to keep back a percentage of their export earnings and spend them as they see fit.

Until the end of October this year 11 per cent of export earnings were deposited on these accounts and $340m or 10 per cent of total imports from the West were purchased in this way.

Next year, with a mere $200m in fresh Western credits pencilled into the balance of payments plan of Mr Stanislaw Nieckarz, the Finance Minister, the squeeze on import finance will continue and almost all of it will take place on a cash basis.

This year Poland managed to raise $600m-worth in new credits including a loan from China and a complex relationship with Libya whereby Poland was lent $230m to buy and resell Libyan crude, not at a loss Polish officials insist.

Even so, hard currency imports dropped by 2.5 per cent in value compared with 1982 while exports valued by the year's end at $5.6bn will rise by 12.5 per cent.

In 1984, Mr Nieckarz is estimating that he will be spending $4.8bn on imports, a rise of 4.4 per cent. A quarter of his hard currency income, made up of $6.2bn in sales of goods and construction work and $500m in invisibles, will go on debt servicing. That represents an easing from 1983 when 30 per cent of Poland's hard currency income went on debt payments amounting to $1.8bn.

The structure of imports in 1984 is also unlikely to change much from this year's; 80 per cent of spending going on raw materials and semi-finished products, 7 per cent on capital goods and 15 per cent on the bare minimum of consumer goods.

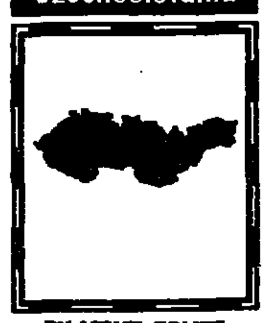
The great weakness both this year and next is the export capability of the electro-engineering sector which accounts for some 25 per cent of exports and runs from ships through cars, washing machines to industrial machinery.

Here quality is down and technology falling increasingly behind. This year the sector failed to earn a planned-for $180m. The shortfall was made up of above planned sales of raw materials.

At the same time the planners are wondering whether increased coal sales might plug the gap. This year 19m tonnes went to the West while 16m tonnes were sold to Comecon.

Whatever happens, import needs are said to exceed the planned figure for next year by around $1bn in value. The chances that this can be earned in extra exports are poor.

Czechoslovakia



BY LESLIE COLITT

OFFICIALS IN the Czechoslovak Ministry of Finance say the country will have economic growth of 2 per cent this year — thus meeting the planned target — which is to expand to an annual growth rate of 3 per cent for the rest of the 1980s. This would represent a considerable improvement in national income (equivalent to GNP) which grew by only 0.4 per cent last year and 0.2 per cent in 1981.

An important factor in meeting this year's target has been a good grain harvest of 11m tonnes along with higher industrial production. The most important sector, mechanical engineering, is said to have boosted output by 4.8 per cent in the first half of the year while failing by a wide mark to meet the goal set for hard currency exports.

Czechoslovak hard currency exports rose, in fact, only 1.3 per cent from January to the end of June and the blame once again is placed on the problem child, mechanical engineering. A surplus was nevertheless produced by further slashing imports from OECD countries by 7.1 per cent. The Koruna 3.3bn surplus in the first seven months of the year was equivalent to £336m at the commercial rate of exchange although some Western trade officials say a more accurate figure would be closer to £150m.

Czechoslovakia's net hard currency debt in mid-1983 was estimated at between $3.2bn and $3.7bn. Mr Lubomir Strougal, the Prime Minister, said the debt level has been reduced faster than expected.

By comparison with its fall in trade with OECD countries, Czechoslovakia's exports to Comecon were up by 9.4 per cent in the first half of this year while imports from Comecon rose 13.5 per cent.

Trade with Comecon thus reached 77.6 per cent of Prague's total foreign trade, a higher proportion than in any other Comecon country apart from Bulgaria.

This sounds less than suspicious for Western companies seeking to do business with Czechoslovakia. However, Prague economics officials say foreign trade turnover which now makes up one-third of national income will rise to 50 per cent in the future. This would mean that although the share of trade with the West remains static, the volume will grow.

Mr Strougal has been the leading critic of his country's industrial performance, noting that central planning has failed to exert pressure to improve company profits while the undifferentiated wage system impeded gains in labour productivity. Reforms though are expected to be gradual in nature as increased factory autonomy is viewed with suspicion by the leadership.

The economy finds itself in much the same predicament as in East Germany. Czechoslovak machinery is no longer easy to sell to other Comecon partners because of the decline in their investment programmes. It is even more difficult to sell for hard currency.

Western exhibitors at the Brno Trade Fair in September said that Czechoslovak machine tool companies were producing without orders simply to fulfil the plan. Mr Strougal in fact criticised the high level of stocks in industry which he said resulted from failure to make the right products.

Romania

BY DAVID BUCHAN

ROMANIA HAS put its external finances into far better order in 1983. But though its problems are on a far smaller scale than those of Poland, its domestic economy remains almost equally depressed with food rationing and power shortages, the result of bad luck and management.

By cutting hard currency imports and to a lesser extent raising exports, Romania had a convertible currency trade surplus of $711m in the first half of this year, putting it on track for a yearly surplus of $1.6bn, up slightly from $1.5bn last year.

A 1983 current account surplus of $800-$900m (after debt interest is paid) will, according to Mr Iulian Bituleanu, the deputy finance minister, be devoted to bringing the total foreign debt to below $9bn by the end of this year and to building up reserves, which were only $675m by mid-1983.

The Government, having rescheduled its western bank and government debt for the past two years, is set against doing so again in 1984. While Romania is getting little new bank credit, some lines of official trade credit have been reopened.

This appears to reflect a somewhat better performance by Romania in paying Western companies on time. Previously Romania had tended to give smaller foreign businesses the run-around on payments, ironic in view of the fact that it is also the Comecon country which has exerted the strongest pressures on foreign suppliers to accept counter-trade or barter.

While all Comecon countries want to pare their foreign debt, no leader has been as ambitiously specific on this as President Nicolae Ceausescu who set Romania the twin goals for 1984 of repaying a quarter of the debt and meeting targets which have been missed for the past three years.

Mr Ceausescu softened the impact of this by telling Romanians that prices for industry or consumers would not rise next year. However, freezing official prices may only aggravate shortages and encourage the unofficial black market, a fact that the President seemed to acknowledge partly by calling for a fresh crackdown on "profiteers."

It may also bring Romania into a clash on policy with the International Monetary Fund, which now has a much-needed three-year adjustment programme underway for the country.

Romania is already unhappy with IMF policy for its energy sector, the acknowledged Achilles heel of the economy. This is paradoxical since Romania is the only Comecon oil and gas producer of significance behind the Soviet Union.

The trouble lies partly in the very heavy oil use by the Romanian refining and petrochemical sector which has capacity of more than 30m tonnes a year and present throughput of little more than half that, and partly in pricing policy.

The IMF has been urging Romania to price its own hydrocarbons nearer the world level, but has been meeting increasing resistance to this in Bucharest. The Government believes that after two energy price rises already this year Romanian industry can ill afford another cost increase in view of the priority export drive.

Until the energy tangle is sorted out, Romania will not be in a good position to buy or sell much to or from the West.

Bulgaria

BY TOM SEALY

BULGARIA is now the only East European country to keep to its original target in the current five-year plan. It has also had the fastest growing economy in Eastern Europe from 1981 to 1983. It has maintained a healthy hard currency trade surplus over the past four years and has cut its already moderate hard currency debt to the West by 50 per cent between 1978 and 1983.

Over the past three years Bulgaria has managed to achieve an average annual growth of 4.6 per cent in national income, 5.1 per cent in industrial output and 3.5 per cent in agriculture. The output of the machine building and electronics industries has increased by 9 per cent a year, the chemical and rubber industry by 9.1 per cent and the production of electricity by 6.6 per cent.

The intention is to maintain these average growth rates until the end of the current five-year plan period.

This current and future development makes Bulgaria a prime target for Western business. The problem, however, is the size of this market. Not only is Bulgaria the smallest Comecon country, but some 75 per cent of its foreign trade, totalling 21.6bn leva in 1982, is conducted with the other Comecon states.

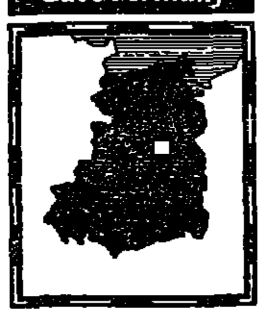
In the same year its hard currency trade amounted to $5.8bn of which $3.2bn was with the developed West and $2.6bn with the Third World. It is also important to note that although Bulgaria's hard currency trade was in overall surplus last year, this was due entirely to its trade with the Third World which produced a surplus of $1.3bn. Trade with the developed West showed a $652m deficit.

Its leading Western trade partners are West Germany, Switzerland, France, Greece, Italy and the UK.

Faster than normal rates of development are planned for mechanical engineering and the electronics industry, with the output of products with low-metal and high-complexity content, rising by 10.2 per cent.

In foreign trade, the priorities are transport, the machine building industry, electronics, instrument manufacture, pulp and paper and tourism.

East Germany



BY LESLIE COLITT

EAST GERMAN officials say the economy is back on course and will fulfil the ambitious target of 4.2 per cent growth this year in national income. Last year's results were a disappointing 3 per cent growth in national income compared with a target of 4.8 per cent. East Germany, however, still managed the highest growth rate in Eastern Europe after Bulgaria.

The country's leader, Herr Erich Honecker, recently said "a considerable" surplus has again been achieved in East Germany's hard currency trade. Last year's surplus was a healthy $800m with countries in the Organisation for Economic Co-operation and Development and $700m with developing countries.

Hard currency imports were slashed last year to achieve the surplus and the process has continued this year. East Germany has left few stones unturned in its dogged pursuit of debt reduction. Its annual income in D-Marks from West Germany for transit fees to West Berlin and other revenue connected with the city and with West Germans visiting East Germany is equal to its estimated interest payments this year of $600m.

East German state traders openly speculate in silver and commodities on Western markets while buying and selling spot oil in Rotterdam.

The result of all this effort is that the country's debt service ration at the end of 1982 was estimated to have fallen to some 29 per cent. Western bankers report that despite the onerous structure of the East German debt—some $8bn due this year and next out of a total estimated debt at between $10½bn and $12bn—payments by Deutsche Aussenhandelsbank (Daba) in East Berlin continue like clockwork.

West German bankers say they would be prepared to follow up their loan last June of DM 1bn to East Germany with a similar credit but only if the West German Government again provides a guarantee. Bonn, however, notes that East Germany will first have to live up to the unwritten agreement that it will improve "humanitarian" contacts between East and West Germany.

Non-German Western banks which have refrained from dealing with East Germany in recent years are reported to be taking a fresh look at the country in view of its excellent payments record.

The price of course is being paid by East German industry which is deprived of badly needed capital goods from the West and by the East German consumer whose personal consumption fell in real terms last year and in the first half of this year.

In order to provide vital imports for production without paying hard currency, East Germany has switched its source of imports to West Germany. The clearing system trade between the two Germanies is conducted in units of account equal to the D-Mark and East Germany pays by exporting its goods to West Germany. East German cumulative deficit in inner German trade has reached DM 4.8bn and West Germany says this is the limit.

The best bet is that West German banks, acting under pressure from the ailing steel industry, will come across with supplier credits for steel deliveries to East Germany which the Bonn Government will guarantee.

Hungary

BY DAVID BUCHAN

HUNGARY HAS pulled off another financial balancing feat this year, using a hard currency surplus earned almost solely on trade with the East to keep paying its debts to the West and even to persuade its Western creditors to lend it more money.

The way this juggling act works can be seen from trade figures for the first half of 1983. Against at $121m deficit with developing countries, Hungary had a tiny surplus of $17m with the West (a big improvement none the less on the January-June 1982 deficit of $481m) and a large surplus of $368m with its Comecon partners, chiefly the Soviet Union.

The same pattern over the whole year should allow Hungary, in the view of Budapest officials, to get within striking distance of its 1983 goal, agreed with the International Monetary Fund, of a current account surplus of $600m.

Whether this overall improvement is sustainable into 1984 is open to some doubt. It is not just that the narrow surplus with the West has been achieved mainly by import cuts, the result of restrictions on raw materials and components introduced in autumn 1982. There must also be a question mark over how long the Soviet Union and other Comecon countries will want to continue paying for a large slice of their imports from Hungary in convertible currency, particularly when Hungary is running a deficit on its ordinary "rouble trade" with them.

Certainly, Hungarian food is of a quality to fetch a hard currency premium inside Comecon, but drought this summer is likely to cost Hungary $200m in lost exports, the Government admits.

It is thus easy to see why the Kadar Government is particularly anxious that the former Soviet ambassador to Budapest, Mr Yuri Andropov, stays at the helm in the Kremlin.

The Kadar Government seems confident that it has Moscow's good will in pressing on with its market-oriented reforms, which among other things have made it the easiest Comecon country for Western companies to do business with.

The Government plans further liberalisation of price and wage controls next year, on top of this year's changes which include breaking up some larger companies and creation of a bond market to channel private savings into industry, agriculture and some public services.

However, Hungary is clearly not disposed to increase imports from the West much until its external finances are in sounder order.

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OECD and the dollar

"GARBAGE IN, garbage out" is a slogan well known to computer users, but less often cited in criticising economic projections; but there are occasions when the question has to be raised. The latest Economic Outlook from the Organisation for Economic Co-operation and Development (OECD) is just such an occasion, and it is greatly to the credit of the OECD secretariat in Paris that it is raised in the report itself.

The key question is hardly written in letters of fire—the organisation has an unfortunate house style.

"It may be felt," says the opening sentence of the section on international monetary developments "that on this occasion the technical assumption of unchanged nominal exchange rates adopted in the preparation of the OECD's forecasts is at odds with the unbalanced pattern of current account positions which results." Or to put the same thought as a blunt question: can the U.S. possibly go on plunging into deficit without the dollar coming unstuck?

Mr Stephen Marris, who has recently retired from a distinguished career with the OECD, has already published his own answer in a widely-noted magazine interview. No. The dollar will, in his view, fall sharply, thus making nonsense of any forecast which assumes that it won't. Last night's estimate of fourth-quarter GDP growth in the U.S., which shows a sharply slowing growth of output, while consumer spending continues at a high level, suggests that the current account slide may be happening earlier and faster even than the OECD's projections — which it itself finds so questionable — would suggest.

The OECD is not really to be blamed for this difficulty; its "technical assumption" is, in fact, a bureaucratic necessity. It is simply not possible for an international organisation of this kind, paid for by governments and working closely with their officials, to do otherwise. If the OECD could be blamed for a run on the dollar — or any other currency — its funds would soon dry up.

For similar reasons, the country forecasts are not "independent," as is commonly supposed.

The task of the OECD in this field is to persuade official forecasters in member-countries to make their own forecasts more interdependent — so that they do not, for example, base their national policies on the hope that all of them can increase their exports to the other members, while reducing their imports. The forecasts themselves therefore usually inspire a strong feeling of what another recently retired OECD official has called "deja prevu."

Constraints

In short, the forecasting side of the OECD is constrained to behave rather like a computer, which cannot avoid a certain amount of garbage going in—both in its "technical assumptions" and in national forceasts. The results should be read with suspicion.

Fortunately, however, these very able officials can cast off such constraints when they come to tackle the technical issues which lie behind any forecast, and here the latest outlook is uncommonly rich. On the dollar — to end any suspense readers may be suffering — they point out that there are two strong factors likely to limit any downward move (which does, between the lines, seem to be regarded as likely.) First, U.S. real interest rates are likely to remain high, with monetary policy tight; second, any appearance of dollar weakness will give other countries an opportunity to cut their own interest rates. As a result the capital flows needed to finance the U.S. deficit will be sustained by a wider interest rate gap.

In any case, part of the U.S. deficit is due to the fact that the U.S. economy is growing much faster than any other; and here the technical chapters suggest that this gap could close too. The forecasts for non-American economies may be too cautious because fiscal policy, corrected for cyclical and inflation effects, is now being relaxed in many European countries — including the UK.

This is mainly because falling inflation automatically makes budgets less restrictive — both because revenues tend to fall faster than costs like debt service, and because savers are better off and spend more. And the inflation news is itself good; another item shows that wages are behaving more moderately throughout the area than any model based on past experience could forecast. There is no holly on the cover of this issue, but it almost deserves it.

The options for Arafat

MR YASSIR ARAFAT is once again steaming defiantly away from his objective — at least in the geographical sense. The Palestinian leader's second evacuation by ship in little over a year is carrying him even further from the shores of Palestine and the 1.2m people whom he is purportedly attempting to free from Israeli occupation.

If all Mr Arafat does when he steps ashore is to swop his ship for an aeroplane and resume flying in circles around the Middle East, the prospects for an eventual solution to his prime preoccupation will remain as bleak as they are today. If, instead, he demonstrates that he has learned something from the seiges of Beirut in the summer of 1982 and of Tripoli over the past two months, then a new approach to peace in the region might be opened up.

It should surely be obvious now to Mr Arafat that the Palestine Liberation Organisation, or whatever part of it he still controls, does not have a military option. Over the past 13 years his guerrillas have fought sometimes tenaciously but always futilely against the might of the Jordanian, Syrian and Israeli armies.

Wrong policies

Arabs have killed more Arabs recently in the quest for a Palestinian homeland than they have killed Israelis. And while all this has been going on Israel has acquired almost total military supremacy in the region, a far tighter grip on the West Bank and Gaza and an even closer alliance with the U.S.

In short, PLO policies have priced disastrously wrong. There was a hint, earlier this year, that Mr Arafat knew they were wrong. He went several times to Amman and talked at length with King Hussein of Jordan about forming a joint delegation which would declare its willingness to negotiate with Israel over the future of the West Bank and Gaza, as proposed in President Reagan's September 1, 1982, plan for Middle East peace.

Mr Arafat failed to swing a big enough majority in Fatah, the main guerrilla organisation, and abandoned the attempt. The split in Fatah blossomed into rebellion, vigorously fuelled by Syria which had long been uneasy about the risk of Mr Arafat doing a deal behind its back.

Syria has now successfully captured the most radical elements of the PLO but has not succeeded in erecting a credible alternative to Mr Arafat's leadership.

Israel's reluctance to allow Mr Arafat to escape in one piece from Tripoli on Tuesday reflects in part a desire for atonement for terrorist acts and in part Jerusalem's concern that Mr Arafat might change his tactics. A flexible PLO supported by Arab states willing to make peace with Israel is far more of a threat to those Israelis who wish to absorb the West Bank and Gaza than a snarling mob shouting death and destruction to the Jewish state.

The possibilities which Mr Arafat explored nine months ago have not gone away.

The majority of Arab states have shown clearly enough this year and last that they were not willing to lift a finger to help Mr Arafat out of his military plight. But at Fez in the autumn of 1982 they did put their names to a declaration which implied eventual recognition of Israel on the basis of all Middle East plans from UN Resolution 242 onwards — an exchange of land for peace.

It is increasingly being argued that this formula is no longer viable because of Israel's settlement building in the West Bank and Gaza. But the formula has never been tried.

The Arab states are currently discussing a date for the summit meeting that was postponed in November. They will be united primarily by alarm at the drift of U.S. policy, and the twin fears of Arab and Iranian radicalism. For the majority of Arab moderates to translate those anxieties into a counter-blast of positive peace proposals which will require an act of political courage never previously witnessed. There is not the remotest guarantee that such an initiative will bear fruit. But there is a greater likelihood that further vacillation by Mr Arafat and Arab heads of state will only strengthen the hands of those who oppose a just and comprehensive peace in the Middle East.

EUROPEAN TELECOMMUNICATIONS

Olivetti teams with a colossus

By James Buxton in Rome

THE agreement announced yesterday between Olivetti and American Telephone and Telegraph marks the climax in the almost uninterrupted rise of the Italian data processing equipment manufacturer in the last five years.

Yet it also signals the limitations of the far smaller Italian company's product range and its ability to fill the gaps in it. In a broader context it underlines the relative weakness of European data processing companies alongside their powerful U.S. and Japanese competitors.

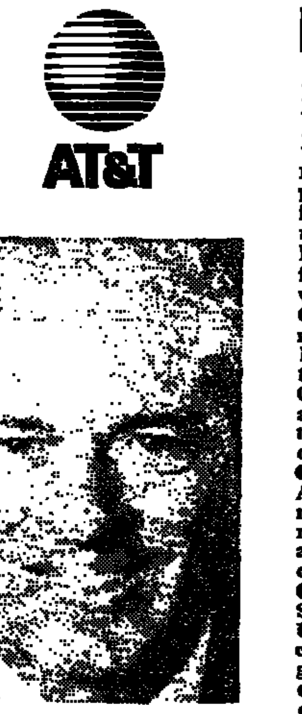
Under the agreement, Olivetti is to distribute AT&T telecommunications products in Europe while AT&T will sell Olivetti products in its own, predominantly North American markets.

Olivetti and T&AT will co-operate on the joint development of new products and will exchange licences for the manufacture of each others' products. This gives Olivetti access to AT&T's Bell laboratories, the world's largest telecommunications research centre.

AT & T will also subscribe to a capital increase by Olivetti, which will give it 25 per cent of the Italian company, with an option to go up to 40 per cent after four years.

Five years ago, when Olivetti was a struggling, debt-laden company best known for its *mechanical typewriters, the* idea of such an agreement with a colossus like AT & T, which after divestiture will next year have turnover of nearly $57bn compared with Olivetti's *expected 1983 sales of about* L3,600bn ($2.2bn) would have been unimaginable.

Yet last year Olivetti became the biggest European-owned computer manufacturer on the continent, and the second biggest company in its field in Europe after IBM. This was achieved partly by acquisitions in France, West Germany and Switzerland, but mainly thanks to the self-generating growth during the period since 1978 when it has been managed by Sig Carlo de Benedetti, until now the company's biggest single shareholder.



CHARLES BROWN
AT & T chairman

The electronic typewriter was the spearhead of a new generation of office products. And Olivetti has turned itself predominantly into a data processing company. In 1982 more than 70 per cent of group turnover came from distributed data processing and office automation equipment, with manual and electric typewriters taking only 15 per cent.

Once the management turnaround at Olivetti became evident, the company succeeded in raising new capital in Italy, reducing its once overwhelming debt and producing steadily rising profits. The group made a net profit of L102.8bn last year on sales of L3,341bn. Sig de Benedetti said recently that the after-tax earnings of 3 per cent were "fantastic for Italy, excellent for Europe but by no means good internationally." And that is part of the point.

The turnround of Olivetti has made Sig de Benedetti the most prominent and most quoted businessman in Italy. But he is pre-occupied not just with the industrial and technological backwardness of Italy—where the words data processing still mean little to most people—but of Europe. He feels Europe has broadly missed the chance of the last few years to restructure its industry, and match the technological innovations made by the U.S. and Japan.

"Olivetti's main competitors are IBM and the Japanese," he said yesterday. "Only with the Alliance with AT & T can we compete with them."

On a more detailed level Olivetti's success masks important gaps. The electronic office is based on a triad—distributed data processing equipment, office equipment and telecommunications devices. The elegant Olivetti products are strong in the first two of those fields, but weak on the third — telecommunications. Olivetti currently manufactures PABXs (Private Automated Business Exchanges) — under licence from the Canadian concern Northern Telecom, and also from Plessey of the UK.

The company, which is based in the quiet town of Ivrea at the foot of the Alps in Piedmont, is also weak in its penetration of the U.S. market, despite several reorganisations. North America accounted for only 8 per cent of group sales in 1982, against Europe which made up 68 per cent.

AT & T will fill Olivetti's gaps on the telecommunications side: Olivetti will market AT & T PABXs, telephone terminals *and tele-typewriters and the* agreement with Northern Telecom will gradually lapse. Access to the Bell Laboratories speaks for itself. The marketing by AT & T of Olivetti products in *the U.S. (about $250m worth in* the first year) will mean a major increase in Olivettis sales there.

MAJOR EUROPEAN COMPANIES

● PHILIPS, The Netherlands. Major alliance formed this year with AT & T. Joint venture company set up to market AT & T's digital public telephone exchange in international markets. On a much smaller scale, Philips has also licensed a PABX from Rockwell in the U.S. which it is selling in the UK.

● CIT-ALCATEL, France. A major reorganisation of France's two leading electronics groups Compagnie Generale d'Electricite (CGE) and Thomson has resulted in the creation of one major telecommunications company.

● SIEMENS, West Germany. A major supplier of telecommunications in West Germany. Siemens has not built any major alliances with other companies.

● LM ERICSSON, Sweden. Set up joint venture in the U.S. with Honeywell, the U.S. computer and control systems group, to develop new products integrating voice and data communications. Also has long-standing joint venture company in the U.S. with Atlantic-Richfield. In the UK has joint venture with Thorn EMI.

● PLESSEY, UK. Owns Stromberg-Carlson, a U.S. telecommunications manufacturer, and has small stake in Scientific-Atlanta, the U.S. satellite equipment company. Until recently licensed PABX from Rolm in California and also licenses some Japanese products. It is lead contractor in the joint development of System X, Britain's digital telephone exchange.

● GEC-TELECOMMUNICATIONS, UK. Involved with Plessey in joint development of System X and licensee of Northern Telecom's private exchange.

● ITT, U.S. Major supplier in many European markets through subsidiaries. Its digital exchange, System 12, has been sold in West Germany, Norway and Italy.

● ITALTEL, Italy. Major co-operation in public switching with General Telephone and Electronics of the U.S. and Telettra.

CARLO DE BENEDETTI
Olivetti's chief executive

In return Olivetti will cease to be an almost wholly European-owned company. According to Sig de Benedetti, AT&T originally wanted to buy the whole of Olivetti, and Sig de Benedetti sees nothing to stop it fulfilling is option to go up to 40 per cent ownership in four years time. The U.S. giant will bring in L430bn of new funds.

Olivetti will not be swamped by the Americans, who initially will have only six of the 21 board directors. But there are superficial parallels with the 1980 deal with St Gobain, the French industrial company which bought new capital to Olivetti and rapidly built up a 33 per cent stake. At the time the funds were badly needed and Sig de Benedetti had high hopes of an industrial co-operation agreement and increased access to the French market.

In the event the French company moved slowly on industrial co-operation. Then in mid-1981, the French socialists came to power. They confirmed all Sig de Benedetti's worst fears about European industry by nationalising St Gobain and setting in train a "reorganisation" of the French electronics industry which in effect threw it into turmoil from which it is only now emerging.

Only a few weeks ago Olivetti *finally reached an industrial* agreement with the French for the making of electronic typewriters. The French Government-held stake, now in the hands of CIT Alcatel, was reduced to 10 per cent and it will now decline further in relative terms. This satisfied Sig de Benedetti's strongly held feeling that nationalised companies should not have a dominant position in the ownership of one of Europe's more successful large private enterprises.

In any case, since the French stake was first taken Olivetti has grown in stature. Sig de Benedetti long wanted ties with a major U.S. company in his field. Now he has got them.

THE GROWING NUMBER OF INTERNATIONAL ALLIANCES

AT&T's Christmas shopping trip to Europe has added to the growing turmoil in the world's communications industries. New markets, new products and soaring development costs are leading to a growing number of international industrial alliances.

Increasingly telecommunications manufacturers, data processing companies and office equipment suppliers are becoming competitors as technology breaks down the barriers *between the different activities.*

AT&T's purchase of a 25 per cent stake in Olivetti, Italy, is a direct result of the major breaking up of its domestic business, and represents the *company's second major link* with a European company. Last Summer AT&T formed a joint venture with Philips, the Dutch electricals group, to market public telephone exchanges on an *international basis.*

The new agreement with Olivetti combines AT&T's undoubted strength in telecommunications with Olivetti's abilities in office equipment and data processing. And through the alliance, the two companies gain access to new large market for their products.

Both links are typical of alliances being formed to share development costs and open up new markets. In public telephone exchanges, the largest cost is the extraordinarily complex task of producing the computer software which is needed to make the new systems work. But in the area of office automation, development costs are high because of the diversity of technologies, products and skills.

The cost of developing the new generation of public digital telephone exchanges is becoming *prohibitively expensive.* IT&T spent about $1bn developing its exchange System 12. Philips also spent a major sum developing its own system before it abandoned the attempt and joined with AT&T.

Few companies or even countries can afford the development costs and are therefore *willing to establish joint ventures* rather leave the market altogether. AT&T hopes the link with Philips will give it much better access to markets which the European company *knows well.*

In Italy, General Telephone and Electronics of the U.S. has co-operative agreement with Italtel (state-owned) and Telettra to develop a digital telephone system. In Britain the development of System X, its new digital exchange, is being handled jointly by Plessey and GEC-Telecommunications.

Yet AT & T *also knows that* it is facing a major battle in the future with IBM for the growing markets in office automation. *IBM is already a major* force in practically every major market in the world including the U.S. By contrast AT & T's sales are almost totally confined to the U.S.

However, even IBM is not able to develop all the technologies it needs for these complex new businesses. In the summer it bought a 15 per cent stake (subsequently increased) in Rolm, the high flying U.S. telecommunications group which had a particularly successful private telephone exchange.

Honeywell, a leading U.S. computer group, also set up a joint venture with LM Ericsson, one of Europe's leading telecommunications companies to develop new products which *integrate voice and data communications.* ICL, the leading British-owned computer group also has close links with Mitel, *the Canadian telecommunications* company.

In addition to the links being forged between computer and telecommunications companies there is also major upheaval occurring in a number of countries' domestic markets. In the UK, the liberalisation of telecommunications by the Conservative Government has brought major changes to the leading suppliers.

Since liberalisation, Plessey has begun a drive to establish itself in the U.S. It bought Stromberg-Carlson, a medium-sized telecommunications manufacturer in the U.S., and has developed close links with Scientific-Atlanta, a leading producer of satellite and communications equipment.

In France the telecommunications industry has just undergone a major upheaval. The telecommunications business of Thomson has been transferred to CIT-Alcatel, creating one major new group. This new enlarged grouping has in turn been in discussion with other manufacturers, partly to find a way of counterbalancing the strength of the Philips/AT & T venture in public telephone exchanges.

AT & T has tended to strike fear into European companies on the basis of its formidable reputation and size in the U.S. But some observers believe that Olivetti and AT & T will have major problems establishing a coherent policy in technology and products, particularly as the demands of the U.S. and European markets are often very different.

Jason Crisp

Men & Matters

TV treatment

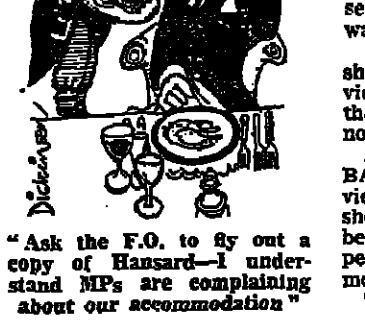
Signals from television transmitters that brought the nation such programmes as Emergency Ward 10 are being redirected to real medical use in hospitals to combat cancer.

The Independent Broadcasting Authority has found that transmitters being withdrawn from the now-obsolete 405-line black and white service after *nearly 20 years are now in* demand for medical use.

Hospitals realised that the equipment could be adapted to develop hyperthermia treatment of cancers—localised rais*ing of the temperature of the* tumour. That involves the generation of radio frequency at medium power.

Doctors at the Aberdeen Royal Infirmary read that the IBA transmitters were being retired and inquired about getting one. The IBA decided to donate the transmitters, which originally were worth several million pounds, to hospitals. Seven have now been handed over and a number of other hospitals have shown interest.

Naturally in an atmosphere of shortage in the NHS, Norman Fowler, the Health Secretary, *is delighted to get such expen*sive equipment free of charge. He says, "I am delighted to know that this equipment, after giving pleasure to millions for many years, is now to be given a new lease of life in the constant search for effective methods of treating malignant tumours."



"Ask the F.O. to fly out a copy of Hansard—I understand MPs are complaining *about our accommodation*"

Brush aside

Seven youngsters working as shoe-shines at London's Heathrow Airport could not understand why the British Airports Authority should want to put them back in the dole queue.

Nor could Tim Harrison, their boss at the London Shoeshine Company. For during a six months' trial period, they had built up business from nothing to 3,500 customers a month at Terminal 2 alone.

Given space at the other terminals—no more than 120 sq ft in all—Harrison reckons he could employ 25 youngsters and pay the BAA around £32,000 a year.

But the BAA was adamant. When I rang Heathrow yesterday, a BAA spokesman said that *the experiment would end on* December 31. It was considered that a shoeshine "was not a service that the public really wanted."

Was it true that the shoeshines would be replaced with video games? "I hadn't heard that," he said. "But I would not rule it out."

A couple of hours later, the BAA rang back to say that "in view of recent interest in the shoe-shine business," it had been decided to extend the trial period for another three months.

The situation *would then be* reviewed and competitive tenders might be invited, he said.

Quite a new shine on things.

Golden Silence

The National Coal Board and the National Union of Mineworkers are notorious for their disagreements.

But, faced with questions from this newspaper, a mood of absolute unanimity has emerged between the two

The occasion was the private High Court hearing, which ended yesterday, arising from the inability of the board and union-nominated trustees of the Mineworkers Pension Fund to agree upon an investment strategy.

After spending two days as adversaries behind closed doors the two sides emerged with their lawyers to present an unshakeable united front in response to questions from the FT man at the court.

"No comment" said the Coal Board side to every question.

"No comment" echoed the union's representatives.

They remained unmoved by any consideration of genuine public interest in the way in *which the fund's £2bn assets* are invested.

Being an erudite chap our man was tempted to offer them the view expressed by Jeremy Bentham who, not being a coal-owner, miner, or lawyer, *felt* able to say that, "In the darkness of secrecy sinister intent, and evil in every shape, have full swing. . . . Where there is no publicity there is no justice. Publicity is the very soul of justice."

War games

So the Brussels press corps can return to its patrol duties among the EEC paper mountain — the second battle of Waterloo will not now take place.

Much excitement had been *generated in the Belgian capital* by the efforts of a radical Walloon senator, Jean Humblet, to mount a campaign to cut off the BF 100,000 (£1,250) annuity still paid to the Iron Duke's heirs, 178 years after his famous victory.

Humblet argued in the Belgian budget debate that the payment to the Duke, as Prince of Waterloo, together with his ownership of 1,000 hectares of prime farming land, was an anachronism no *longer tolerable to freedom*-loving citizens.

But Humblet, who does not disguise his Bonapartist sympathies, was quickly routed.

Finance Minister Willy de *Clercq said that any changes* would need an international treaty and possibly compensation payments of BF 70m. Other senators chorused: "Boring."

Humblet withdrew his amend*ment and retreated in disarray.*

Doodle-bug

Getting a little bored during the Swedish parliament's marathon debate on wage-earner funds, Finance Minister Kjell-Olof Feldt, one of the funds' leading champions—in public, at least—began to doodle.

Above him in the public gallery, a newspaper photographer snapped what he was writing:

"Wage-earner funds are a pile of sh—

"But now we've got them and that's it."

Was this some dramatic 11th-hour about-turn by Feldt in the face of widespread public dis*approval of the Social Demo*crats' plans for expanding trade union power over industry?

Not at all, said his wife and Press officer, Birgitta von Otter. It was an attempt to put into verse the thoughts of Conservative leader, Ulf Adelsohn, one of the funds' most implacable opponents.

Observer

ECONOMIC VIEWPOINT

Hope, charity and welfare

By Samuel Brittan

THIS IS a good time of year to discuss some controversial questions relating to charity. There are any number of good causes clamouring for attention: the aged, the poor, the chronically sick and disabled, the National Society for the Prevention of Cruelty to Children, Oxfam and the relief of distress in many parts of the world.

The question I want to pose in this article is not how we decide between these competing charities, but how we decide what proportion of our income to give to charities of all kinds. In other words: how much of our potential standard of living are we as individuals prepared to sacrifice to the wellbeing of others?

The absolute morality of the matter is something we all have to determine for ourselves. Facts about poverty, distress and the size of our own good fortune are relevant. But the basic decision is one of personal choice and feeling about which the logical analyst has only a limited amount to say.

There is, however, one aspect of philanthropy which is more within the realm of logic and political economy. This refers to "interdependence effects." These effects arise from the fact that what you or I are prepared to give may depend not only on our basic values, but also on what we think other people will give.

Let us introduce a narrow,

Let us introduce an individual known as Mr Free Rider

but not uncharitable, individual known as Mr Free Rider. If you ask him how much of the national income he would like to go to charity, he might say "10 per cent": he would be prepared to pay 10 per cent of his own income if this were both necessary and sufficient to achieve his charitable objective. But his preferred position is that everybody else should give 10 per cent plus a very tiny fraction, and that he should give nothing at all. In that case he would have the satisfaction of seeing 10 per cent of the national income going to good causes, without any sacrifice in his own standard of living. In other words he would be having a "free ride" on the efforts and sacrifices of others.

When faced with the known temptation to take a free ride, what does a real-life individual actually do? There are perhaps three possible moral positions to take.

The first position is often termed the Kantian one, after the German philosopher Immanual Kant, who argued that a person ought to act only on principles which he would be prepared to see accepted as general rules for everyone. In other words, before acting he will always ask: "Suppose everyone behaved like this. Would I be content with the sort of world that that would bring?"

Applied to philanthropic activity, the Kantian principle suggests that free-riding is morally wrong; and that everyone should contribute an appropriate share to charitable activities.

A Kantian would "carry out a mental experiment. He assumes that everyone else will contribute exactly as much as he does, and then decides what contribution would be best for him on this assumption. He is morally obliged to make this contribution, irrespective of what the others actually do."

This description of the Kantian principle comes from a paper by the economist Robert Sugden, entitled *Who Cares?* (Institute of Economic Affairs, £1.50), a paper which has touched off the speculations in this article.

It should be noted that a Kantian does not have to be a saint. He does not have to give all he has to the poor. But he implements what he would be prepared to accept as part of a binding contract with all his fellow citizens, even if no actual contract is practicable.

At the other extreme to the Kantian is the hard-boiled "realist." This "realist" will say "Whatever I do will not make the slightest difference to what everyone else does. If I earn £10,000 and I give £1,000 to charity, I impoverish myself. Yet that £1,000 is so small compared with the receipts of any well known charity that it makes no difference to the total. If I contribute £1,000 I will be a lot worse off and the poor and hungry hardly any better off." Such a "realist" might pay a token £10, to get rid of the collectors from his doorstep, but that will be all.

The problem with the Kantian principle is that those who follow it lose out, relative to those who do not. The problem with the hard-boiled "realist" is that he is devoid, not of benevolence or sympathy, but of any trust whatever in his or her fellow citizens, all of whom are regarded as likely free riders.

The two positions have quite important political implications. The cynical "realist," who is also benevolent, is likely to write learned articles proving that charity will always be insufficient. He will want to use the tax system and the welfare state to make sure that all pay their share and there are no free riders.

To the hard-boiled realist, welfare is a "public good" — by which he means something that all or most citizens would want to provide, but which it will not pay them as individuals to do unless they enforce a binding contract on each other.

The "Kantian" position will place its hopes on people being willing to behave as if they were bound by contract. If enough people make this assumption, it becomes self-validating; and the compulsion and bureaucracy of taxes and state transfers become less important.

The behaviour of most people is, I would guess, in between the extremes of the "realist" and the Kantian, but nearer, I am afraid, to the realist. A typical citizen will be prepared to go some way towards doing what he thinks everyone ought as part of a social contract, but not very far. To pick hypothetical numbers, the "realist" might be prepared to give his token £10, the Kantian his "moral" £1,000, and the typical flesh-and-blood human being, say, £100.

Such a magnitude fits in with the observation that people are prepared to make some sacrifice for charity, without insisting on reciprocal behaviour by others, but not so much that it makes a noticeable difference to their standard of living, so as to, for instance, deprive them of a holiday.

The difference between the hypothetical £100 which people will actually contribute and the £1,000 they would be prepared to contribute with strict assurances of others' good behaviour, is the justification of a good deal of the Welfare State.

But the fact that the Kantian motive operates to the extent of, say £100 is to be welcomed, and the supplementary benefits of voluntary private charity should be encouraged, rather than treated with the suspicion with which they are treated by some extreme Welfare State supporters.

The closer together are different people's philanthropic preferences, the less illiberal is the use of the political system. A major problem arises when citizens differ markedly on what they would give, or how they would give it, even on the Kantian assumption that their fellow citizens followed suit. A political enforcement mechanism cannot cater for those who are more or less philanthropic than the norm, or who have way-out ideas about the form the philanthropy should take.

I am not going to enter the debate about whether voluntary charity is *per se* either more worthy or more effective than state-provided welfare. But the "desire to give," though inadequate, is a valuable supplement to the official welfare services, and it should be encouraged rather than stifled.

* * *

So far charity and good causes have been deliberately discussed in general terms to throw light on the logic of "giving" and to show the point of collective action to implement more effectively the philanthropic desires of individuals.

But, it is sometimes said, state retirement benefits or health services are acts of paternalism. "If a person wants to insure against old age or ill health he should do so himself," runs the argument. "State Social Security is forcing people to take out insurance policies or purchase annuities against their own will."

If we look at it from the point of view of the taxpayer of working age, who does not happen to be sick, it is not at all obvious that state arrangements are paternalistic. Consider a retired person who has omitted to invest in a pension scheme, or another person with an expensive illness who has failed to take out medical insurance.

Would fellow citizens of these unfortunates want them to starve or have their ailments untreated? They would surely want at least minimum assistance to be provided; and that minimum would itself rise with the general standards of the society.

State health or Social Security is thus not the imposition of compulsory insurance, but an expression of the benevolent instincts towards their fellow creatures which most human beings have.

The non-paternalist philanthropic justification of state welfare, which centres around the free rider problem, does suggest that it would be as well to rid ourselves of the myth of National Insurance and have a straightforward Social Security tax instead.

There is now no actuarial relationship whatsoever between the benefits a person may draw and his National Insurance con-

Political economy of compassionate individualism

tribution; but the myth of insurance has been maintained for moralistic reasons. A philanthropist who is also a libertarian would see nothing moral in the myth at all and should want to make the pattern of taxation and redistribution as transparent as possible.

It is possible to combine philanthropy, even when collectively exercised, with the individualist judgment that people should judge their own interests and live their own lives. But the political economy of compassionate individualism—or if you like "Thatcherism with a human face"—is still largely to be written.

Lombard

The play-actor's crusade

By James Buchan

THIS TEXT, apparently a fragment of a larger work, was discovered wrapped round a discarded Bockwurst on a pork bench in Wuppertal. The style suggests a Grub Street imitator of Edward Gibbon.

The Play-Actor now exulted in his pride; and not the pleas of the Old World, nor the obstructions of the elected Parliament of the New, nor even his own advancing years, could bend him from the preparations for the Crusade.

Had ever doubts been entertained behind that noble brow, they were soothed away by ambitious soldiers of fortune or unscrupulous prelates, who bade him establish abroad that manly authority long mortgaged in the Capital to unruly womenfolk and the intrigues of Freedmen. His love of country found a buttress, his piety support.

Vain were the embassies from the free provinces bordering Muscovy that the achievements of a patient diplomacy, which had brought the Empire's first Ambassadors to a debate at Geneva, were endangered no less by the Play-Actor's obduracy as by the morbid and phantastic fears of the Tyrant; that the campaign to the South was folly; that the expenditure on the Crusade denied capital to merchants and manufacture; and that their bewildered nations, on whom the new Legions were to be quartered, were unwilling to shoulder the burden of Peril so that the sanctuary of the Capital be spared.

The Legions crossed the Rhine and established winter-quarters; but they were received not with the thanks protectors may expect but the brickbats and sullenness due Adventurers. Their arrival caused the Muscovite Ambassador summarily to quit Geneva. Amid the uproar, the Governor of the province rose in Parliament to castigate both this precipitate action and his people's ingratitude.

While the provincial delegations lolled in the Forum's colonnades, the Play-Actor discreetly despatched an expedition to the Antilles, hoping thereby to discover before the Public the Tricks of Muscovy even amid Tigers and Banyans.

Victory was speedily achieved, a Triumph voted, the Play-Actor's Car richly decked; but the applause of the mob turned to jeers when the booty revealed not the bowed armies of Muscovy but half-naked savages who had fought with spite to defend their island Paradise and for whom manacles were neither novelty nor humiliation.

From Muscovy, news was seldom and obscure; it was said the Tyrant lay dying, the Apparatus of Tyranny idle; Boyars whispered at the Bed-Post or despatched across the freezing plains contradictory messages bearing the Tyrant's purported seal, prophesying war or extending the hand of peace.

Wise men noted portents of Catastrophe. In the taverns and Hammams of the Play-Actor's Capital, plague broke out, striking without mercy or distinction at young men of military age; in the eastern provinces, women took to dancing in wanton congregations of their sex, treading to the measure of certain raddled matrons who had once plied the Play-Actor's trade. In the great German forests, boughs that had sheltered Arminius and had heard before the clangour of battle, began to shed their needles out of grief; in England, a female was elected Consul.

In these pregnant times, good men kept silent while young Tribunes and dissenting Priests, for love of God's peace or Muscovite coin, urged on the mob to ever new insolence.

Letters to the Editor

Urgent need for considered change in the CAP

From Mr P. Richardson

Sir,—In recent weeks Samuel Brittan has campaigned against the Common Agricultural Policy. Many of his arguments cogently reflect a very real concern that this policy is both wasteful and in urgent need of modification. Thus far, most farmers and politicians in Britain would probably agree with Mr Brittan. Regrettably, however, in his enthusiasm to destroy a policy which he believes a bad one, he has allowed emotion to dictate his arguments, and his clearly limited knowledge of agriculture to lead him to extreme conclusions.

His research on the agricultural issue has clearly been unduly influenced by two recent reports which have been distinctly biased to one side of the argument (October 13, October 27, December 8 and in a Lombard column during November). There is no reference to a further study recently published by a senior agricultural economist from Cambridge University which refutes many of the assumptions and errors made in the previously mentioned documents.

No policy exists in isolation, and the history of, and reasons for, the CAP are worthy of consideration by anyone advocating change. Change is urgently required—that is certain, but its advocates should be political realists and not, as in the case of Mr Brittan, economic Luddites.

To suddenly change the volume and direction of price support to British agriculture would be to sacrifice much of the massive increase in efficiency recently achieved by that industry. I write (paradoxically to some readers perhaps) as a pig producer—one of the sectors of agriculture largely unprotected and suffering dreadfully in recent years from the imbalance of support systems for other commodities (especially cereals) within the Community. Because of this, rather than in spite of it, I am acutely aware of the "balanced" approach that must be adopted to agricultural support if unforseen damage is not to be done to all or parts of the industry. The latest American set-aside programme, which offered an alternative strategy to controlling surpluses turned out to be extremely expensive to taxpayers, and because of its "knock on" effect in reducing trade throughout the entire rural community (not just farmers), it engendered resentment well beyond the farm gate.

There is no doubt that some effective methods of self-regulation of supply must now be devised for most EEC agricultural products, and especially for those in surplus. The constant paradox for policy makers is how to reconcile this aim, with the further need to ensure a thriving population in the countryside—and especially in those less favoured areas which, even now, are suffering depopulation and decline. Mr Brittan also identifies this major problem, but he does not offer solutions for tackling it any more than the present price-based CAP system does.

Neither does he give sufficient credence to the strength of support for the CAP within the Community. If he wishes for withdrawal from the EEC then he must say so, but he is being naive to expect to stay in, yet have the agricultural support system of his choice, bearing in mind the roots of the EEC.

The myth of "world prices" reflecting the true cost of food to British consumers were there no tariff barriers, is (to paraphrase Mr Brittan), a "fiscal illusion." World prices are simply a measure of the value of marginal production and are affected not only by the rise of demand but by the diverse political motives of many exporting nations. By the same token, the well versed denials by farming leaders that world prices have no relevance to UK food prices is similarly misguided. Answers to the present problems of European agriculture cannot be simplistic or clear cut.

The relative position of British farmers to their counterparts in Europe is a source of concern, particularly now that changes of policy of some kind are imminent. The British are adept at stabbing themselves in the back as our recent industrial history shows. We should be wiser to temper our public views on CAP policy with a pragmatism born of the knowledge that the most artful compromise wins the day.

Philip Richardson,
Manor Farm,
Downham,
Wymondham,
Norfolk.

Competition in transport

From the Editor,
Modern Railways

Sir, — The letter (December 14) from Lord Shepherd, the chairman of the National Bus Company, exhibits some muddled thinking on competition in inland transport.

Lord Shepherd erroneously assumes that British Rail's highly successful low-price Saver fares represent an example of uneconomic pricing used as a weapon to constrain coach market share. This is not the case: BR has carefully calculated the resource costs of the extra capacity necessary to cater for Saver traffic, and the Saver scheme shows a net increase in revenue as well as increased passenger carryings. While it is true that BR's InterCity sector is in receipt of a small part (less than a fifth) of the £820m public service obligation grant paid by the Government to BR, Lord Shepherd is deluded if he thinks this is the only subsidy within the long-distance travel market.

Others include the tax subsidy on company cars (some £2bn pa!), cross-subsidies from profits made in British Airports Authority duty-free shops to charges to airlines for use of BAA airport facilities — and National Express has yet to prove that it is adequately paying for its track (coach licences cost around the same as those for a private car) or many of its terminals (in which it borrows space from local authority-subsidised National Bus subsidiaries). There certainly is not inter-modal free competition within this Byzantine tangle!

Furthermore, we cannot be sure that more competition is necessarily beneficial. There is evidence that since deregulation in 1980 coach operation has been intensified on the main inter-urban routes already well served by rail at the expense of more isolated communities. Recent research has identified a significant number of towns in south west England which have lost a daily coach service — a far greater number, in fact, than in the period of overall decline before deregulation.

It should be remembered that the railway has relatively low marginal costs, so the transfer of coaches (likely to remain the low average cost mode) to the inter-urban routes that has occurred since deregulation may have had a deleterious effect on the allocation of the nation's scarce transport resources.

James Abbott.
Terminal House,
Shepperton, Middlesex

Overcapacity in electricity

From Dr R. Papadopoulos

Sir,—Mr Peter Kreamer (December 13) draws attention to the connection between the overcapacity in the electricity supply system and the "dramatic" success of the load management measures, applied by the Central Electricity Generating Board in reducing the swing between minimum and maximum demand.

He might as well have pointed out that the success originates in the consistent under-estimation by the CEGB planners of the effect which measures as those applied—and those not applied for reasons hinted at by Mr Kreamer—were bound to have *on maximum demand* growth. Viewed in this light the success becomes part of the problem as well as offering a partial explanation for it.

Even so this factor, though not insignificant, does not seem to be decisive. From 1962 to 1972 the average annual growth of electricity sales was about twice that of maximum demand; from 1972 to 1982 the two rates, at 0.6 and 0.5 per cent respectively, compare closely. More significantly, and against the CEGB success in promoting night consumption, electricity sales to the domestic sector of the economy show an average annual fall of 0.4 per cent; at the same time gas sales registered an average annual growth of 5.6 per cent over the last ten years.

In the light of these statistical trends I am inclined to suggest that it is the rapid and continuing replacement of electricity by gas, particularly in the heating sector, which offers a more comprehensive — though still partial—explanation for the overcapacity problem, apparent or real.

(Dr) Raphael Papadopoulos,
Polytechnic of the South Bank,
103, Borough Road, SE1.

From Mr G. Hockley

Sir, — Peter A. Kreamer (December 13) tries to excuse the overcapacity of the CEGB by pointing out its success in reducing the swing between minimum and maximum demand. Since Dinorwic and other pumped storage systems take many years to plan and construct, this factor should already have been taken account of in estimating capacity and can not be used to justify the present level of generating plant.

G. C. Hockley.
University College,
PO Box 78, Cardiff.

FINANCIAL TIMES

Thursday December 22 1983

Dutch set to block sale of submarines to Taiwan

By Our Foreign Staff

DUTCH-TAIWANESE trade and political relations received a serious setback yesterday when the Dutch Government refused to grant export licences for the sale of submarines to the island nation.

Two submarines, ordered by Taiwan two years ago to build up its naval forces, are under construction in the Wilton Fijenoord shipyards in Rotterdam. Two more have been ordered. It was unclear if the government decision affected the original order.

The centre-right Government's decision came after two days of talks and intense lobbying pressure by Taiwanese government and business interests for the Dutch to support the deal. Parliament is expected to go along with the government decision to refuse the export licence.

"We are sure that giving this licence would have serious consequences for the relations between the Netherlands and China," Mr Gijs van Aardenne, the Economics Minister, said in a letter to Parliament. "It would mean a break in the normal relations with a country that takes a very prominent place in the world."

The Christian Democrats, senior partners in the current governing coalition under Prime Minister Ruud Lubbers, are split over the deal. The junior partner, the conservative Liberals, favours it, but the Labour Party, the largest in Parliament, is against it.

Taiwan, which views the Netherlands as a "window to the West" recently pledged to increase Dutch imports by 40 per cent annually and has said it is prepared to pay up to Fl 3bn ($967m) in orders for surface vessels.

The initial submarine deal has precipitated tighter bilateral economic ties, including direct air services, despite prompting continuous debate in the Dutch Parliament, which has seen its diplomatic relations with China deteriorate as a result.

The cancellation of the deal, should it be approved by Parliament, would be a serious blow to Dutch shipyards. Wilton Fijenoord argued that the most recent order for the submarines would safeguard the jobs of nearly 3,000 workers.

Brazil cuts subsidised credit in key sectors

BY ANDREW WHITLEY IN SAO PAULO

THE BRAZILIAN Government has approved an exceptionally tough austerity budget for 1984. Its key feature is that virtually all subsidised credit for the key agriculture and export sectors of the economy – a prime source of public spending – is being eliminated, at a stroke.

The decisions of the National Monetary Council, whose meeting on Tuesday is being described as the most important in years, are likely to gratify Brazil's foreign creditors while deepening the three-year-old domestic recession.

In accordance with the target of reducing the rate of money supply growth to 50 per cent next year, compared with 95 per cent in 1983, credit expansion from the monetary authorities, the central bank and the state-owned Banco do Brasil, will be held to 58.9 per cent.

The Government has also responded to the way triple-digit inflation is fast eroding the value of the currency by introducing two new large banknotes, worth Cr 10,000 and Cr 50,000. The largest note currently in circulation – Cr 5,000 – is today worth just over U.S. $5 at the official rate of exchange.

The centavo, the smaller currency unit which has been a useless anachronism for the past few years, is to be abolished.

Subsidiaries of foreign companies based in Brazil have not escaped the tightening of the government tax net. Tax payments on the remittance of profits and dividends have been brought forward by several months, raising the overall costs of companies concerned.

Banks, both state and privately owned, are affected by the decision to increase the existing panoply of controls on lending, designed to limit the growth of credit, while liquidity has been largely reduced.

Additional, more concrete measures, including higher corporate taxes, may be announced next Monday after a second meeting of the National Monetary Council.

At this week's meeting it was agreed that as from the beginning of next year most of Brazil's farmers would have to pay a fully inflation-adjusted rate for bank loans.

Arab bid for Kleinwort stake boosts UK bank share prices

BY DAVID LASCELLES IN LONDON

BRITISH BANKING and finance shares soared on the London Stock Exchange yesterday as a group of Arab investors made a surprise offer to buy up to 10 per cent of the stock at Kleinwort Benson Lonsdale, the UK's largest merchant banking group.

The Arabs, who were not identified, said through their brokers, L. Messel and Co., that the purchase was for investment and was not a prelude to a full-scale takeover. However, the news triggered another bout of takeover fever in financial stocks and pushed prices up by 5 per cent or more in some cases.

Kleinwort's price rose 51p to 418p, leaving it well above the Arabs' offer of 395p. As a result, the group acquired only a small fraction of the 5.4m they wanted. According to some estimates, they bought only 200,000 for a total cost of some £750,000 ($1.06bn).

But the Arabs had been building up their stake in Kleinwort for several weeks, and yesterday's purchases left them owning 5.2 per cent of the company – enough to force a disclosure.

Mr Philip Watson, a director of TWH Investment, the Netherlands Antilles company that made the purchases on behalf of the Arabs, said last night that he would be advising them "to let the dust settle." But, he said, the next step, if any, was up to them.

Kleinwort said it was aware who the purchasers were, describing them as clients of long standing who knew the bank well. An official welcomed the interest of long-term investors.

The Arabs are believed to be a group of families from one of the Gulf states who believe the UK finance industry will benefit from deregulation and rapid technological change. They first bought Kleinwort stock in September when the price fell sharply after disappointing interim results, and have been accumulating it steadily.

Kleinwort's shares are quite tightly held, and there is a limit to how much stock can be bought on the open market. The Kleinwort family trust holds 25 per cent.

OECD says upturn in Europe will lag behind Japan, U.S.

Continued from Page 1

much less than the 5-7 per cent typical of earlier recoveries. In spite of a general improvement in the world economy, he said, "this relative lack of vigour may persist over the next 18 months."

In Europe, fiscal policies remained restrictive so that the increase in demand generated by the U.S. recovery and the rise in consumption, fuelled by a running down of savings, more than accounted for the growth expected next year.

In the U.S., the OECD says, efforts will have to be made to tackle the federal deficits projected for future years if a clash between private and government demands for credit is to be avoided.

In the short run, it points out that the deficit is helping recovery in Europe and Japan by providing an increased market for exports. The high value of the dollar has been increasing the competitiveness of other countries' exports in relation to the U.S.

A reduction of the U.S. deficit, especially if accompanied by a falling dollar, would have adverse consequences for output in Europe. The OECD believes it would be important for European countries to act, perhaps by lowering interest rates, to prevent a fiscal tightening in the U.S. from dampening their chances of recovery.

The OECD says the UK's economic recovery will continue next year, but more slowly than the UK Treasury expects. The Treasury believes an annual growth rate of a little over 3 per cent will be reached in the last six months. The OECD thinks recovery will slow after the summer to an annual growth rate of 1½ per cent.

The OECD is more pessimistic than the Treasury about the prospects for UK consumer spending next year and about the extent to which stocks will be rebuilt.

For the year as a whole, the difference between the Treasury's November forecast and the latest from the OECD is well within the margins of forecasting error. The Treasury expects UK output in 1984 to be 2.8 per cent higher than in the current year. This is about ½ percentage point more than the OECD is predicting.

The OECD's view that Britain's recovery will start to tail off from the middle of the year is contrary to that of the Treasury, although the OECD is supported by several outside forecasting organisations.

The OECD broadly agrees with the Treasury that the UK inflation rate is likely to continue to fall, although its predictions are on a somewhat different basis.

● A huge discrepancy in the world's balance-of-payments accounts can be partly explained by large, unrecorded payments by oil-exporting countries for services, the OECD believes.

It says most of the unexplained imbalance in the world's trade account related to invisible earnings. The world's total recorded deficit on invisibles rose from $41bn in 1979 to $114bn in 1982.

In that period, it thinks that Opec countries substantially increased their purchase of specialised services (such as construction and engineering) from OECD countries. But between 1981 and 1982, for example, a rise of $20bn of Opec spending on such services was not matched by a rise in recorded receipts by OECD countries.

Olivetti and AT&T forge major link

Continued from Page 1

ment each other in both product and technology areas.

Olivetti is expected to market in Europe AT&T's PABX digital telecommunications products as well as telephone terminals, tele-typewriters and software.

Sig De Benedetti said the new partnership should be seen in terms of "the global competition among data processing producers" which would require growing financial resources and intensive commercial and research investment in the next few years. The $260m AT&T was spending on its 25 per cent stake represented the largest minority investment by an American company outside the U.S., he said.

He had informed Canada's Northern Telecom that its contract with Olivetti would be allowed to lapse in the next 12 to 18 months.

The new alliance, he noted, had the approval of the Italian government and had "a political implication." It would have been inconceivable only a few years ago for a U.S. company to invest so much in Italy, and the deal recognised Olivetti as "the established European leader in the field."

The alternative to the agreement would have been for Europe "to become a land of domination for U.S. and Japanese multinationals."

U.S. lawyer buys BL offshoot

BY IAN RODGER IN LONDON

AN AMERICAN businessman has bought for an undisclosed cash sum Aveling-Barford, the loss-making construction equipment subsidiary of BL, the UK state-owned motor group.

Mr Adrien Eschallier, a Philadelphia attorney-consultant, said that he intended to seek further growth in overseas markets for the British company and to expand its product range.

Mr Eschallier, aged 49, said he was particularly keen to develop sales in North America. Aveling exports more than 80 per cent of its production, but has only modest sales in North America.

Mr Eschallier managed several mines as president of Gulf and Western, the natural resources group of the U.S. conglomerate, from 1974 to 1978. He may seek potential customers for Aveling equipment in the mining industry.

Aveling manufactures dumper trucks, wheeled loaders, road rollers and motor graders.

The company was acquired by Leyland Motor Corporation in 1967 and became part of the special products group of BL in 1977.

It fell into loss in 1978, and, in 1979, BL decided to sell it and several other non-automotive businesses.

Aveling lost £24m ($34.1m) in 1979 and new management was brought in to rationalise the operations. Sales were about £23m.

Several potential buyers have looked at the company in the past four years, including J. C. Bamford Excavators, the British maker of excavators and backhoe loaders, the now bankrupt IBH group, of West Germany and, more recently, Frederick Parker, the UK crushing plant maker.

The Barford sale completes the planned disposals by BL. Others that have been sold since 1980 include: the Alvis military vehicles business; Coventry Climax, the fork lift truck manufacturer; Prestcold, a refrigeration equipment contractor; Aveling Marshall, an agricultural tractor maker; and Goodwin Barsby, a maker of asphalt processing plant.

World Weather

		°C	°F
[illegible]			

Readings at mid-day yesterday.
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Salvador minister quits

BY TIM COONE IN SAN SALVADOR

SR JOSE PACAS, the El Salvador Economy Minister, has resigned. In his letter of resignation to Dr Alvaro Magana, the president, he said "there exist aspects of economic policy with which, I regret, I am not in agreement."

The disagreement appears to have centred on tax changes to be introduced in January, especially the introduction of a 14 per cent "value-added tax." The changes have been introduced by President Magana through the Treasury and were opposed by Sr Pacas.

Although aimed at dealing with a growing fiscal deficit, the tax changes are expected to increase inflationary pressures and social tensions. Defence is due to increase to 23 per cent of government spending in 1984 as a result of the civil war. Tax receipts have continued to fall as a result of a sustained decline in economic activity since 1979.

A prices and incomes policy was introduced in December 1980. This has controlled salary increases effectively but has none the less allowed prices to rise an average of 15 per cent annually in the past three years.

Deadline imposed on further bids for Eagle Star

By Charles Batchelor in London

THE CITY of London Takeover Panel has imposed a deadline of December 30 for any further bids from the two contenders battling to take over Eagle Star Holdings, the UK insurance group.

BAT Industries, the British-based tobacco company, has a £934m ($1.33bn) cash offer on the table compared with the £920m bid by Allianz Versicherung, West Germany's largest insurer, in the biggest takeover battle in cash terms to take place in Britain.

The 11-strong regulatory panel spent much of yesterday hearing the views of the three companies before deciding against allowing an offer to be made after the normal 46-day deadline. This has been permitted in the past when only one bidder was present and a higher bid would secure a recommendation of acceptance from the target company's board.

The panel described its decision as embodying a "minor amendment" to its usual approach. Lazard Brothers, both Eagle Star and BAT's merchant bank adviser, expressed satisfaction with the outcome but Morgan Grenfell, which is acting for Allianz, said it was surprised at what it called a "major alteration" to the panel's rules.

Morgan Grenfell said: "We are slightly surprised that the panel is taking a route which involves sealed tenders' being made on a final closing date in a major bid of this sort.

"This means that the Eagle Star recommendation of the BAT offer now has less weight and turns it into just a question of money. This is to our advantage but I am not sure this is the right way to bring the whole thing to a close.

It said: "It has become a sort of Russian roulette."

Any increased offers must be lodged with the panel by 4.30pm on December 30 and announced before 5pm that day. This represents a minor amendment to the rule that bids would normally have to be posted by that time.

Allianz is committed to produce a statement today on its intentions. It is likely to include an increased bid.

The current BAT bid values each Eagle Star share at 675p cash against the 665p cash offer from Allianz.

Lex, this page

Italians to revise Soviet gas contract

ROME – The state-controlled energy group Ente Nazionale Idrocarburi (ENI) has been authorised by the Italian government to renegotiate a long-postponed contract for importing natural gas from the Soviet Union, government officials said yesterday.

Any agreement reached by ENI will be subject to final approval by the Government.

The Italians had signed a preliminary $1.5bn agreement in January 1982 for 280bn cubic feet of gas a year for 20 years. In the wake of anti-Soviet sentiment, the Italians shelved the contract, which recently expired.

The negotiations between ENI and the Soviet Union also involve $2.1bn worth of supplies by Italian companies to build a gas-pipeline from Siberia to Western Europe.
AP

U.S. recovery continues

Continued from Page 1

er price index for November, also published yesterday, confirmed that inflation was continuing to be held at a low level – "the best Christmas present ever" for Americans, in Mr Reagan's words.

The November price increase, at 0.3 per cent, was the smallest since June and less than October's 0.4 per cent. It represented an unadjusted increase of 3.2 per cent over the past year, and a compounded annual rate of 4.9 per cent, based on the three months ending in November, the Labour Department said.

Another indicator showed corporate profits running at a seasonally adjusted annual rate of $248.4bn in the third quarter, or an increase of 13.3 per cent over the second quarter after tax.

The 4.5 per cent GNP estimate may well be adjusted when the final figures are available. For the moment, however, it is the same as the rough forecast that the Administration is using for next year's growth as it prepares its budget for fiscal 1985, which begins on October 1.

THE LEX COLUMN

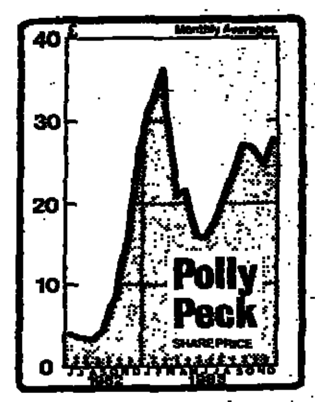
A collect call from Olivetti

Olivetti's frog-into-prince transformation over the last five years is one of the most remarkable recovery stories in European industry. It would have taken something beyond optimism to forecast in 1978 that a moribund producer of mechanical typewriters would emerge as one of Europe's leading manufacturers of electronic dataprocessing equipment. So the news that AT&T is shelling out $260m for a 25 per cent stake in Olivetti comes as scarcely more than the happy ending which is demanded of a fairy tale.

Olivetti's balance sheet has, in any case, been improving almost out of recognition, but the cash injection will reduce debt from about 100 per cent of book net worth – in the last balance sheet – to something in the region of 40 per cent. But the immediate financial impact of the deal is probably of secondary importance: the two-way marketing and technology agreements with AT&T should mean that Olivetti remains a serious international presence in office automation as competition heats up over the next few years.

Initially it is likely that Olivetti will become AT&T's conduit into the European market for PABXs and other telecommunications products. This parallels the joint venture which AT&T set up with Philips in the summer, to market public switching and exchange equipment. At the same time, Olivetti will fill in some of the gaps in AT&T's office automation spectrum; sales figures of $250m for 1984-85 were getting an airing in Rome yesterday.

To AT&T, which could almost afford to buy up the whole of the Milan stock exchange from petty cash, the price at which it is buying into Olivetti will not seem exorbitant. Yet at L4,300 a share, the U.S. leviathan is paying a premium of more than a third over the price at which Mr de Benedetti was able to retrieve the former St Gobain holding only a few weeks back.



Eagle Star

By imposing a guillotine on the Eagle Star bids, the Takeover Panel has rescued its code from possible abuse, and avoided the need for further amendments to an already weighty document. Under the existing rules, BAT might have been able to increase its offer after the usual deadline – known to the cognoscenti as Day 46 – by securing an Eagle Star board recommendation. This stratagem, depriving Allianz of the right to reply, would have been palpably unfair.

Yet, while the insistence that all offers must be made by December 30 is fair to both parties and will bring this protracted affair to a firm conclusion, it is obviously unsatisfactory that the future ownership of an important British company should be determined by a last-minute shoot-out.

There is little point in the Takeover Panel's trying to enforce a more sensible auction through the rule book. In future, however, it may see the need to exercise rather more firmness in the early stages of a bid and insist that an informal auction schedule is adhered to.

It is still possible, of course, that the takeover will be resolved before December 30. Allianz is expected to make another offer today. Yet the betting must be that Santa Claus will save his most bounteous present until after Christmas.

Lloyds leasing

This week's cancellation of the £86m oil rig by Britoil puts the financier, Lloyds Bank, in a doubly awkward spot. Not only does it have to plunge into a legal wrangle to regain some £40m already disbursed to British Shipbuilders, but the bank's leasing programme is thrown into disarray, with uncomfortable implications for its tax charge.

Most of the £40m was paid over in 1982 and, of course, Lloyds will not retain the tax allowance on the payments it thought it had made in that year. It is by no means certain that the bank will be allowed to switch the funds to the purchase of other assets and requalify for the allowances at this late stage.

Quite apart from the specific problem, Lloyds must now set up a series of deals to cover the £86m underpinning to its leasing programme over a period of years that the oil rig represented. The dilemma illustrates the dangers in go-it-alone "big ticket" deals of this nature. A financial package of this size constructed through direct bank credits would almost always have been syndicated to spread the risk.

Apparently this practice died out in the leasing industry due – at least in part – to the legal complexities of structuring a multi-party deal. After the Britoil cancellation, new efforts are likely to be made to create a framework for syndicated leasing.

It may not be entirely coincidental that leasing rates, which were very favourable to lessors in the early autumn, have dropped back again in the last couple of months. As a major player in the market, Lloyds' sudden need to find fresh business must have helped to tighten the market. Moreover, its obvious predicament creates the risk that its bargaining position in current deals may be weakened and leasing profitability reduced.

Polly Peck

Polly Peck's 1983 accounts are a major improvement on the previous set – albeit not a difficult feat. That said, the geographical breakdown raises more questions than it answers, with sales by this international fruit marketer in the UK and Europe apparently producing a loss, and the more local business, in the eastern Mediterranean, generating the bulk of the profit.

Rapid expansion – along with exchange losses – have caused a slight cash outflow, and a larger gap this year is to be plugged with a £5m placing of shares. With the growth in volume, average margins have fallen; investor interest this year will centre on the margins which can be obtained from new projects. Polly Peck is diversifying away from fruit, but its exposure to Turkey is being deepened. And after three years of strong growth, that economy looks set to enter a period of austerity – undermining some of the more stratospheric growth projections.

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Thursday December 22 1983

John Makinson reports on a "small-change" investment in the London securities market

Prudential decides on the acorn route

BY JOHN MAKINSON IN LONDON

FOR THE Prudential Insurance Company of America, the creation of a joint venture securities operation in London is a small-change investment. London may be one of the world's principal capital markets but, by international standards, its participants are Lilliputian. Gulliver has adjusted his sights accordingly.

The largest insurer in the U.S. is initially investing less than £500,000 ($710,000) in London through its New York securities subsidiary, Prudential-Bache.

In contrast to Citicorp and Security Pacific, U.S. banks which have taken direct stakes in British stockbroking firms, Prudential-Bache has opted to develop its own business in partnership with two corporate finance executives from James Capel, a leading London stockbroking business.

By going the acorn route, Prudential is apparently prepared to accept that it may make a slower start than a company buying into a ready-made operation. In return, it has a lower capital exposure in the early days and a greater measure of control over its own destiny.

The U.S. group has identified continental equity research and corporate finance as its two priorities in the London market.

According to Mr Jim Barton, who heads the securities company's international and commodity division in New York, the new venture will initially highlight research in the international oil, high-technology and health care industries. The size of Prudential-Bache's client list (over 700,000 accounts) means that analysts will need to concentrate on blue-chip investments with a high market liquidity.

The research team in London will complement similar units in the U.S., Canada and Japan. Mr Barton is aiming at a homogenous research approach – "punchy and readable" – and will be hoping to marry the abundant sources of capital in the U.S. with attractive investment opportunities outside.

The new company's corporate finance effort will also have a distinctly transatlantic flavour in the early stages. Mr Barton points out, for example, that Prudential Insurance is the largest holder of property in the U.S. after the Government itself. He hopes to interest European institutions in joining with the Pru on investment projects.

Similarly, the new company expects to develop an international mergers and acquisitions business, actively marketing ideas to companies on this side of the Atlantic.

Mr Barton believes that London's corporate finance market is undergoing rapid change. "Historically," he says, "London has leaned heavily on client relationships. Now the market is moving much more to a transaction basis. It is no longer a matter of who you know, but what you know and how you do."

Nevertheless, for Prudential-Bache to build up a significant presence in the domestic corporate finance or institutional sales business would be a Herculean task. Offering international arbitrage services and operating in the primary Eurobond market is one thing, selling ICI equity to British insurance companies and distributing domestic issues by British blue-chip companies is quite another.

Mr Barton and his colleagues in London recognise that building a full-service operation will be a lengthy process. Prudential-Bache is careful to show due deference towards the City and its institutions as well as to couch its initial plans in fairly modest terms. "This is an opportunity to put more flesh on the skeleton we have in London," Mr Barton explains.

The new company's potential will inevitably be limited so long as stock exchange rules effectively prevent prudential from owning more than 29.9 per cent of a member firm. Yet no one in the London business circles expects that particular restriction to last for long, and already some of Prudential-Bache's future competitors are busy trying to work out how one beats a securities company which boasts capital resources of $440m at its own game.

Trading in Cascade Brewery suspended

By Michael Thompson-Noel in Sydney

SHARE dealings in the Hobart-based Cascade Brewery – subject of a takeover tussle involving Mr Ron Brierley's Sydney-based Industrial Equity (IEL) – were suspended yesterday at the request of Australia's National Companies and Securities Commission.

The Commission has been inquiring into the battle for Cascade since last week, when two Adelaide groups, B. Seppelt, a wine maker, and C-C Bottlers, a soft drinks group, acquired a 25 per cent stake in Cascade from Carlton and United Breweries (CUB) only hours before Elders-IXL gained control of CUB.

The Commission also appears concerned about IEL's use of an associate company, Acmex Holdings, for buying Cascade shares above the normal IEL offer price of A$5 a share. The Adelaide groups are offering the same, valuing Cascade at A$42m (U.S.$37m).

● The struggle for Brisbane Television (BTV), operator of Queensland's most profitable TV station, continued yesterday when Television Wollongong Transmissions (TWT) raised its bid to A$27.50 per share, valuing BTV at A$49.8m. Rival holder John Fairfax is expected to match the latest offer this morning. Fairfax has 42.7 per cent of BTV, while TWT holds 30 per cent. The key holding is the 7 per cent held by Britain's Associated Newspapers.

Cigna in $215m bid for AFIA

By Paul Taylor in New York

CIGNA, the major U.S. insurance group formed last year through the merger of Connecticut General and INA corporation, said that it plans to pay $215m for AFIA, an international insurance underwriting association.

The deal, which if successfully completed would represent a major expansion of Cigna's international business, is subject to various approvals by U.S. and foreign regulatory authorities, and to a definitive agreement being signed before the end of January.

AFIA provides property, liability, marine, accident and health, surety and life insurance to customers in about 130 countries.

Mr Robert Kilpatrick, Cigna president and chief executive, said: "The proposed acquisition of AFIA is an important strategic step for Cigna. This substantial addition to our international presence gives Cigna the opportunity to become one of the world's leading providers of full range insurance and financial services."

Enthusiastic response to Renong issue

By Wong Sulong in Kuala Lumpur

RENONG BERHAD, the former London Incorporated Tin Mining Company, now under Malaysian control and expanding rapidly into property development, has received an enthusiastic response from the public for its share issue.

The offer of 6.25m shares of 50 cents each, priced at 60 cents, was over-subscribed 55 times, attracting applications for 350m shares. Directors have given 97 per cent of the allotment to applications for fewer than 10,000 shares.

Another 2.9m shares were reserved for Malays, employees and directors.

Renong began as a tin mining company in 1913, exhausted its tin deposits in 1976, and transferred its domicile to Malaysia in October last year.

Wages offer by Republic Air

By Our New York Staff

REPUBLIC AIR of the U.S., which lost $115.1m in the first nine months of this year, is proposing a "partnership plan" under which employees will swap further wage concessions for an increased equity stake in the company.

The scheme presented to the airline's 14,000 employees includes profit-sharing provisions under which they will receive shares. Republic employees already hold almost 20 per cent of the airlines stock. The latest proposals could increase this to more than 30 per cent.

Exports boost Toyo Kogyo to record Y45bn profit for year

BY YOKO SHIBATA IN TOKYO

TOYO KOGYO, the manufacturer of Mazda cars, reported record unconsolidated recurring profits of Y45.2bn ($193m), up 4.4 per cent, in the fiscal year ended October due to strong exports of passenger cars.

The company posted an increase in both sales and profits for the eighth consecutive year. Net profits were Y25.6bn, up by 1 per cent, on sales of Y1,364bn, up 15.6 per cent from the previous year.

In the past year, sales rose by 11.3 per cent to reach 1.33m vehicles, including 171,980 knockdown sets. Strong overseas sales, up 15.4 per cent, accounted for 934,915 vehicles or 70 per cent of the total.

Exports to South-East Asia rose 63 per cent, followed by Europe, up 28 per cent.

Heavier depreciation burden and higher fixed costs were offset by higher sales and production.

In the current half year, ending April 30 1984, the company plans to sell 680,000 cars, with domestic sales of 205,000 units and the balance for export. Half-year revenues are expected to reach Y710bn, 6.4 per cent higher than the previous year. However, the company has set a conservative half-year parent company pre-tax profit target of Y23bn, up 4 per cent, owing to a deterioration of profitability arising from the yen's expected appreciation.

The company, the third largest Japanese motor manufacturer, is to be renamed Mazda Motor Corporation from May 1.

● Toray Industries, Japan's largest synthetic fibres manufacturer, has reported consolidated net income of Y5.36bn for the six months ended September 30, compared with Y6.14bn previously, Reuter reports from Tokyo.

Pre-tax profits were Y12.59bn, up from Y10.79bn, on sales of Y387.40bn, up from Y368.09.

For the year ending March 31, Toray forecasts a consolidated net income of Y14bn, a pre-tax profit of Y27bn on sales of Y750bn.

Fuji clear to buy Heller

By Our New York Staff

THE U.S. Federal Reserve Board has approved Fuji Bank's acquisition of Walter E. Heller International's commercial finance subsidiaries for $425m.

Fuji agreed to buy the Chicago-based banking and commercial finance group's Walter E. Heller and Company and Walter E. Heller Overseas subsidiaries in March, beating off a rival bid from Security Pacific, the fast expanding West Coast banking group.

Fuji is the second largest banking group in Japan and number 13 in the world, with assets of about $99.8bn. It already has extensive operations in the U.S., including Fuji Bank and Trust Company a New York-based banking group with assets of $1.5bn, and branches and agencies in a number of states.

The acquisition approval marks another step in Walter E. Heller International's planned liquidation.

Int. Harvester in German axle plan

BY JOHN DAVIES IN FRANKFURT

ZAHNRADFABRIK Passau (ZP), the West German transmission maker, is to join International Harvester of the U.S. in making transaxles for agricultural tractors in France and the UK.

ZP will have a majority stake and operating control in jointly owned companies to be formed with the debt-laden U.S. farm machinery and commercial vehicle maker.

The West German company will contribute design and manufacturing technology for new transaxles and International Harvester will provide facilities and manpower from its existing plants at St. Dizier in France and Doncaster, England.

ZP will sell the transaxles to equipment manufacturers; International Harvester will obtain transmissions for a new generation of tractors.

ZP is a wholly owned subsidiary of Zahnradfabrik Friedrichshafen, the West German transmission group, which is largely owned by a trust fund and employs 22,000 workers.

Final negotiations about details of the deal are not expected to be finished for some time. ZP said the deal was subject to satisfactory arrangements for the financing of International Harvester's French and UK subsidiaries.

● Thyssen Edelstahlwerke, the special steels subsidiary of the West German Thyssen industrial group, is banking on a recovery this year after a sharp fall in earnings, sales, and orders in the year up to the end of last September.

Dr Harald Dehmer, chief executive of the concern, said the company was now booking orders worth DM 200m ($72m) a month, 12 per cent above the average for 1982-83.

But he said an improvement in earnings depended on a recovery in prices, which are under heavy pressure from imports.

Escorts in plan for strategic share sale

By John Elliott in New Delhi

A DEBENTURE and equity issue totalling $35m is being planned by Escorts, one of two major Indian companies at the centre of a controversial investment bid by Mr Swraj Paul, an Indian-born businessman who runs the Caparo group in the UK.

If the issues go ahead as planned early next year, they will reduce the shareholdings bought by Mr Paul under an Indian Government non-resident investment scheme from about 7 to 8 per cent of the total equity to 4 to 5 per cent.

Equally significantly, they will considerably increase the number of small shareholders so that the stake held by Government-owned financial institutions is cut from 52 per cent to 32 per cent.

Escorts has been refusing to register the shares bought by Mr Paul, who is a confidant of Mrs Indira Gandhi, the Indian Prime Minister, partly because they fear his political power and do not want him as a significant shareholder.

The proposed debenture and equity issue would therefore reduce the political exposure of the company as well as raising funds for projects such as manufacturing Japanese Yamaha motorcycles and U.S. Mercury outboard motors in India. It would also help to fund a large dry dock recently bought by Escorts from Japan.

Mr Paul is arguing that Government authorities and institutions should not allow the issues to go ahead until his shares have been registered. Escorts is proposing that, since Mr Paul's shares have not yet been registered, it should put his allocations in a temporary account pending decisions on the share ownership.

It is almost a year since Mr Paul first decided to buy shares in Escorts and in DCM, another Delhi-based industrial company.

Taft management to buy theme parks

BY TERRY BYLAND IN NEW YORK

THE LATEST management buyout plan in the entertainment industry was announced yesterday at Taft Broadcasting, where a group of investors incorporating the management of Taft's Attractions Group division has agreed to pay an expected $167.5m for the company's four domestic theme parks.

Taft, which owns television and radio stations throughout the U.S., will reinvest $5m and retain a one-third equity participation in the new private company, which will be named King's Entertainment and will be managed by Mr Nelson Schwab III and by several prominent, but unnamed, financial institutions.

The four theme parks brought in more than one quarter of Taft group profits in 1982-83, but their performance has faltered in the current fiscal year with bad weather in the spring causing losses.

Taft said its earnings will not be materially affected by the sale because any reduction will be largely offset by investment income and reduced interest charges and other expenses. It intends to re-invest the proceeds of the deal in its communications interests.

In October the board disclosed that group earnings for the first half had fallen 16 per cent to $15.2m but added that it expected profits for the full year to exceed the previous peak of $38.9m reached in 1980-81.

Operating profits of the Attractions Group had fallen 12 per cent. The board said attendance at Canada's Wonderland and at King's Island, the two major theme parks, was down.

Moody's re-rates Crocker

By Our New York Staff

MOODY'S, the U.S. credit rating agency, has downgraded most paper issued by Crocker National, the West Coast banking group majority-owned by Midland Bank of the UK.

The move follows Crocker's announcement last week that it will take a $107m charge in the fourth quarter on its troubled property portfolio and, as a result, report a loss of about $57m in the fourth quarter and $10m for the full year.

Moody's said it was cutting Crocker National's senior debt-rating to single A2 from single A1 and subordinated unsecured debt to single A3 from single A2.

Crocker's preferred stock rating is being lowered from single A1 to single A3 and bond issues backed by letters of credit from the Crocker National Bank are lowered to single A1 from double A3. Commercial paper issued by the bank holding company is also being lowered from prime 1 to prime 2, but the commercial paper programmes supported by Crocker National Bank's letters of credit remain at prime 1.

Icahn unveils terms of ACF buyout plan

BY OUR NEW YORK STAFF

MR CARL ICAHN, a leading Wall Street arbitrageur, has proposed a two-part leveraged buyout of ACE Industries, the diversified shipping, railway rolling stock and energy group. The offer, he says, is worth about $56 a share. On that basis, the deal would value the company at about $465m.

Mr Icahn who, with companies he controls, has built up a 27.3 per cent stake in ACF, proposed the deal in a letter to Mr Ivan Burns, ACF's chairman.

ACF said the proposal would be studied with the assistance of First Boston, its investment bankers.

Under the terms of Mr Icahn's proposal, a new corporation would be formed to merge with ACF. Shareholders would receive $31 a share in cash for their stock.

In addition, Mr Icahn proposed that immediately before the merger, ACF's W-K-M Energy industry equipment manufacturing subsidiary, should be spun off as a separate company with its shares distributed to ACF shareholders on a share-for-share basis.

Mr Icahn said he believed each W-K-M share would be worth at least $25 and that the spun-off company might have an aggregate value of around $205 – roughly half its value a few years ago, reflecting the downturn in the oilfield equipment industry.

ACF has suffered badly as a result of the recession. In the first nine months it reported a net loss of $882,000 before a $1.1m extraordinary gain compared with a $32.24m profit in the same period last year.

Hoechst wins polypropylene licence deal

By Alan Friedman in Rome

MONTEDISON, Italy's leading chemicals group, yesterday said Himont, its joint venture company with Hercules of the U.S., had agreed to grant Hoechst, West Germany's leading chemicals company, a licence to manufacture its patented high-yield polypropylene.

The licence agreement was signed in September, though not disclosed until yesterday. It provides for Himont, in partnership with Mitsui Petrochemical of Japan, to allow Hoechst to produce the new high-yield polypropylene catalysts for the first time.

In May Montedison and Hercules announced a 50-50 joint venture to manufacture and distribute polypropylene resins, which are used to make plastic products for the construction industry and domestic use.

Sharp gain for Hong Kong textile group

BY OUR HONG KONG CORRESPONDENT

ONE OF HONG KONG'S leading textile companies, Winsor Industrial Corporation, yesterday reported its half-year profits before tax were up 87 per cent to HK$95m (U.S.$12m) compared with the same period last year.

Directors said earnings a share for the six months to September 30 were 60.1 Hong Kong cents compared with last year's 32.1 cents.

The results were entirely due to improvements in the group's textile activities. The directors warned that following the completion of the current cycle of restocking in the U.S. market early next year, profits would return to normal. They hoped the European market, now in a slump, would recover next year – earlier than previously expected.

Winsor said despite political uncertainty, the group was still investing. It had acquired office space in September for the use of the Winner Group and Hilwin Group companies, and took over production facilities to expand garment production in Hong Kong. This acquisition is financed by an eight-year bank loan.

Winsor raised its interim dividend for the six months which ended in September from 12 cents to 18 cents, but said that the final dividend will depend on prospects for 1984-85.

Beatrice Foods ahead 61%

By Our Financial Staff

BEATRICE FOODS, the U.S. diversified food manufacturer and soft drinks bottler, has announced a 61 per cent increase in net profit during the third quarter to November 30, to $137m from $84.8m a year earlier. Sales rose to $2.47bn from $2.31bn, while profits per share increased to $1.33 from 81 cents.

Wong Sulong looks at the stock exchange regulation battle in Malaysia

Brokers fight government intrusion

MEMBERS of the Kuala Lumpur Stock Exchange met over the weekend, and elected a new committee amid apprehension of increasing government interference in the management of the securities industry.

The *new seven-man committee* is expected to be more vigilant and vocal towards government intrusions, but it is also conscious that the exchange's future, and that of its members, lies in co-operation rather than confrontation with the *authorities*.

A month before the KLSE annual meeting, the Finance Ministry sent a jolt through the industry by pushing through some sweeping amendments.

Stockbrokers raised an uproar, but during a meeting with Dr Ling Liong Sik, the Deputy Finance Minister, last Friday, it became obvious that the government would not budge. There was little the KLSE could do since the government has been given sweeping powers to intervene under the Securities Industry Act, passed by parliament last year.

To appease the stockbrokers, the authorities gave some minor *concessions*.

Originally, the amendments gave the right to the Finance Minister to appoint "any Malay *whom he considers suitable*" to be a stockbroker, his representative, or a dealer. The words "any Malay" have now been amended to "any suitable Malaysian" to do away with the racial bias.

The *authorities* also agreed to consult the KLSE committee in future before introducing further amendments.

Brokers *fear that the Minister's* right to appoint new stockbrokers could lead to political patronage, to a decline in professional standards and *to more* competition.

But the *goverment* has assured the industry that such fears are unfounded. The authorities make no excuse for wanting to see more indigenous Malays on the KLSE, but for good reasons.

At the moment, only 25 out of the 113 stockbrokers on the exchange are Malays. In the *coming* years, *as the government's* privatisation programme and the New Economic Policy gather momentum, an increas*ing number of government*, statutory and Malay-owned corporations will be going public.

The Government and the *Malays therefore want to ensure* that their investments are well looked after by a racially balanced and progressive looking KLSE.

Government entities such as Permodalan Nasional, the investment agency; Pernas, the trading and manufacturing agency; the Federal Land Development authority; and the police, armed forces, and Pilgrims co-operatives are already major shareholders in many publicly listed corporations, such as Sime Darby, Malaysia Mining Corporation, Boustead Holdings and Harrisons Plantations.

Recently, *the first* Malay-owned company, Antah Holdings, was granted a listing and public response to its share *issue was overwhelming*, with its offer of 9m shares oversubscribed 38 times.

At the end of June, there were *266 companies on the* KLSE, with a market capitalisation of 75.6bn ringgit (US$ 32.8bn). Total business done *during the year to June* amounted to 1,986bn shares valued at 6.2bn ringgit.

The Government feels that with proper management, and official encouragement, the KLSE will grow rapidly so that existing brokers will not lose *out because of Government* appointees.

"The real challenge is whether our stockbrokers can modernise and service their clients as well as stockbrokers in Tokyo, London and New York, or even Singapore. At the moment, Malaysian brokers are making plenty of money, but doing little to enlighten the investing public" a senior Government official said.

According to Mr Abdul Razak Sheikh Mahmood, whose tenure has been extended by another two years under the new Finance Ministry regulations, the KLSE is taking steps to modernise.

Public Administration Service, an American consultancy company, has been appointed to make recommendations.

From next month, the exchange will be operating a computerised central clearing house to speed up transactions and registrations and to give up-to-date volume and price movements.

Members of the new KLSE would be given the task of monitoring specific areas of the industry and the economy so that the committee would be better informed.

The KLSE, in co-operation with the Registrar of Companies, *is also setting* examinations, which will be compulsory for anyone wishing to become a dealers' representative.

Bahrain's commercial registration fees soar

BY MARY FRINGS IN BAHRAIN

A *NEW* scale of commercial registration fees in Bahrain looks suspiciously like taxation to foreign and local onshore bankers.

From January 1, instead of paying a flat fee of BD 10,000 (US$26,000) a year to the Ministry of Commerce, domestic banks will be charged the rate of BD 25,000 for each BD 10m of their average residential deposits for the previous year. Government deposits and foreign currency deposits by residents are included. This means that the cost to major onshore banks, among them Chartered Bank and British Bank of the Middle East, will be at least 20 times higher than before and could in some cases amount to 10 *per cent of net profits*.

Preliminary estimates suggest that Chartered will be paying over BD 300,000 *($800,000) and BBME over* BD 200,000 ($530,000). The leading local banks, National Bank of Bahrain and Bank of *Bahrain and Kuwait will each* be liable for over BD 450,000 ($1.2m) but will suffer less in terms of profit. The third local bank Al Ahli, however, will be among the hardest hit. The four-year-old commercial bank's registration fee for 1984 is put at around *BD 250,000*.

Only the 19 onshore banks are being assessed on the basis of their deposits, and this method has attracted *sharp* criticism.

One local banker said it *would discourage the acceptance* of big short-term deposits, while at the same time militating against small accounts which are *costly to operate*. He commented: "I understand why the government shied away from a profits tax, but I would rather *see* fees geared to capital and statutory reserves which are more stable than deposits." Another banker pointed out that banks would need to calculate the impact of the changes on their cost of funds and increase their lending rates accordingly, while maintaining the minimum deposits consistent with prudent banking.

Bahrain Telecommunications Company, in which Britain's Cable and Wireless has a 40 per cent *shareholding*, will pay a flat annual registration fee of BD 400,000, up from BD 10,000. This amounts to about 2 per cent of its last reported profits.

Offshore banks will also pay a flat fee but are assessed in different categories. Arab *Banking Corporation* and *Gulf* International Bank will each pay BD 50,000, as will the Arab Insurance Group. This represents a *500* per cent increase. Public exempt companies will pay BD 40,000, closed ones BD 10,000. These are 400 per cent increases. *Offshore* branches of foreign banks will pay BD 2,500, a 1,000 per cent increase. All these fees are additional to the bank licensing fee payable to the Bahrain Monetary Agency.

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COMPANY NOTICES

PLANT AND MACHINERY

COMPANY NOTICES

British Dredging forecasts £1m profit

A PROFIT of over £1m is forecast for 1983 by British Dredging, the Cardiff-based dredger and supplier of sand and gravel. And the company is resuming interim dividends with a 1p net payment.

When reporting a return to half-time profits with £322,000 in August, Mr Fane Vernon, the chairman, said the group was moving ahead well in a much improved environment. A good level of demand was being experienced.

The profit would compare with £22,000 attained in 1982. Ten years ago the group made £1m, but that was followed by several years of losses and then very low profits.

Mr Vernon says liquid funds have risen to some £4.85m after the early repayment of long-term loan totalling £227,000. And following the disposal of properties no longer required for trading purposes, the liquid assets are expected to rise to "well over £5m."

● comment

The transformation of British Dredging is so striking that ordinary six-monthly statements are evidently insufficient to keep pace. Hence yesterday's unexpected missive from the chairman's office. Not that he needed to sign-off with a seasonal greeting—a forecast of £1m profit and £5m in the bank must have had shareholders in high spirits well before the final sentence. There are two main features behind this dramatic upturn. All three trading operations—aggregrates in the Bristol Channel, paving blocks in Newport and a dry dock in Cardiff—have produced much better profits while interest receivable is coming up from nothing to perhaps £½m. Pivotal to sharp increase in cash has been the £3¼m last March from the sale of an associate to RMC—incidentally RMC tried to get the whole company for £4m less than three years ago. Retained profits have built on that plus £½m from property sales. Now it is British Dredging that is in an acquisitive mood. The shares rose 13p to 60p yesterday for a fully taxed prospective p/e of 21 and yield of 4.8 per cent.

Polly Peck placing to raise £5m

BY RAY MAUGHAN

Polly Peck, the fast expanding citrus fruit and packaging group built by Mr Asil Nadir, is to raise up to £5m of long-term capital.

Writing to shareholders in the annual report and accounts for the year to September 3, the chairman explained that the "amount is relatively small, and a placing of new 0.5p per share (after a 10-for-1 share split to reduce par value from 5p per share) will conveniently provide this capital without the expense attendant upon a rights issue."

Mr Nadir added that "certain (unnamed) Middle Eastern investors have indicated their willingness to take up the necessary shares."

The accounts form the first detailed explanation of the group's rapid expansion in the fields of fruit packing, water bottling, consumer durables and pharmaceuticals using the resources of Northern Cyprus, Turkish and Middle Eastern agriculture and labour.

It had been widely expected that publication of the annual report, following the widely anticipated strong profits growth for the year, would form a platform for the integration of Polly Peck's quoted associate companies, Cornell and Wearwell, into the parent company.

The merger of the three companies has been under consideration for some time but plans to this effect were first postponed last February and are still held in abeyance.

Mr Nadir said, however, that "although it is still the companies' intention to merge, the continued growth in activities during the year has so far inhibited the boards of the companies from proceeding with this operation."

"However," he went on, "it remains our firm intention to merge the three companies as soon as it is practical."

Postponement was enough to clip 1p off the Wearwell share price to 93p, cut 7p off Cornell's shares at 229p and to take 50p off the Polly Peck share price to £27½. After the share split, the shares would be quoted at 275p each.

Polly Peck's progress during the year has been one of superlatives. Turnover expanded by 160 per cent to £62.2m and the group was able to achieve a rise of 135 per cent in profits before tax to £24.7m. Earnings per share climbed from 136.3p to 283.3p from which the group is paying an 83 per cent dividend increase at 28p per share.

After a period of fast physical expansion and projected ventures with several mainstream manufacturers in the developed world, Polly Peck describe the year as "eventful."

Mr Nadir said "we believe that the substantial wealth of natural resources in countries like Turkey where the group is increasingly concentrating its activities, coupled with the potential for technological production and development throughout the near and Middle East, present further significant opportunities for us."

The group, however, will be expanding in other countries "so that our activities are not over-exposed in any one particular area." The chairman emphasised that "we undertake detailed analyses of the economic and political factors pertaining to the countries where we operate and remain confident of their continuing long term stability."

The group expected to spend £16m on capital projects in the current year which will be principally commited to a £4.5m packaging plant in Turkey and the consumer electronic plant in the same country, agreed earlier this year with Thorn EMI Ferguson, at a cost of £6m.

Other significant items comprise fruit packing houses being established in Turkey at a cost of £2.5m, the balance of the group's contribution to the Niksar mineral water bottling plant, while a further £1m relates to the pharmaceuticals division.

See Lex

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: Bromsgrove Casting and Machining, Highgate and Job, Leopold Joseph, Ocean Wilsons, Reardon Smith Line, Sumrie Clothes, Sutcliffe Speakman, Turnbull Scott, Victoria Carpet.

Finals: Bankers' Investment Trust, Cronite, Electric and General Investment, Grand Metropolitan, Pict Petroleum.

FUTURE DATES

Interims—
Dobonda Photographic ..... Dec 29
Energy Finance and Gen. Trust ..... †Dec 28
Howden Group ..... Jan 5
P.H. Industrials ..... Jan 12

Finals—
French (Thomas) ..... Jan 12
Lincroft Kilgour ..... Jan 17

† Amended.

ERF feels benefit of reduced overheads

AS EXPECTED substantial savings in operating costs and improved margins on vehicle sales helped ERF (Holdings), manufacturer of heavy commercial vehicles and plastics, return to profits at the taxable level in the 26 weeks to October 1 1983.

The directors say the results were achieved despite continuing severe competition from European manufacturers.

Turnover for the period was down by 19.4 per cent from £33.7m to £27.16m but a profit of £137,000 was earned compared with a £612,000 loss. The result was struck after a lower interest charge of £607,000 against £672,000.

There was a "significant improvement" in profits from both UK subsidiaries, the directors state. Also, despite being affected by the recession, the South African subsidiary turned in a net profit after interest. The plastics company continued to increase turnover and profit, they add.

Export trade was substantially lower with business in the Middle East being considerably down.

Looking ahead, they say that there is a moderate increase in the UK vehicle market which should help the continuing improving trend in the company's trading performance.

In the year to April 2 1983 a pre-tax loss of £1.42m (£3.27m) was incurred, on turnover of £63.88m (£52.55m), and both the interim and final dividend payments were passed. There is still no dividend, the last being a nominal 0.1p final in respect of the 1981-82 year.

As a result of a reduction of £129,000 in the provision for overseas tax, there was a tax credit of £97,000 for the opening half compared with a £93,000 charge. After this provision earnings per 25p share are 2.55p and 2.54p fully diluted.

● comment

ERF is still sticking grimly to its policy of not buying market share, regardless of what the Continental competition may be up to. This year has seen a volume increase at the heavy end of the UK truck market of around 12 per cent, but ERF unit volume is down. This is partly because of the downturn in South Africa, but not entirely. At the lighter end of the UK market, the bad news is that the deal with Hino has been postponed into the indefinite Efuture. The snag is that since the arrangement was first mooted, the yen has climbed against sterling to the point where Japanese components are uncompetitive against European imports. The plastics business, only 25 per cent of which is to the automotive trade, is fortunately going better — there is still a market for gas and electricity meter boxes. But the improving trend in profits is continuing into the second half, and it seems likely that at least the preference dividend will be restored at the year end. The shares rose 5p on the figures, to 48p.

Petbow loss jumps to £2.7m at midway and no interim dividend

LOSSES AT welding and generating sets manufacturer Petbow Holdings soared in the six months to September 30 1983 and, despite expectations in the last annual report that interim dividend payments would be resumed, this distribution has again been passed.

For the first half the pre-tax deficit jumped to £2.73m, compared with a loss of £71,000 for the corresponding period and £524,000 for the last full year when there was no final dividend.

However, as regards the current 12 months Mr James Bird, chairman, says the second half will be substantially better than predicted at the last AGM. External problems which face the group in the immediate future are little changed from the recent past, he states, but overhead expenditure has been cut sharply and he is confident sales and profits can be maintained.

Business restructuring which has taken place since new board appointments in July has already reversed trading losses. "Substantial profits" are now being earned and, notwithstanding an increase in turnover, working capital has been greatly reduced.

This reduction together with current trading profits has enabled bank borrowings to be cut by some £1m since the beginning of the year.

Turnover at midterm was down from £12.97m to £9.21m and direct exports fell from £9.27m to £5.31m. There was an operating loss of £932,000 (£315,000 profit) and a trading deficit of £1.99m, after special items of (nil).

Mr Bird explains that these items cover continuing difficulties in collecting cash in the Middle East and African territories which prompted the directors to raise bad debt provisions in every case where any delay is being experienced. They also cover the lifting of provisions for the full cost of completing certain unprofitable contracts.

There will be some benefit to second half trading from the recovery of these provisions and these measures will be applied and reviewed in future on a continuous basis, he adds.

Pre-tax losses at halfway were after interest of £264,000 (£472,000) and exceptional debits of £452,000 (£86,000 credit) for costs associated with redundancies in July and August 1983. During those two months a redundancy programme affecting 115 employees, almost entirely indirect staff, was implemented to achieve a more than comparable cut in wage and salary costs.

The tax charge for the six months was £24,000 (£66,000), leaving net losses up from £137,000 to £2.75m.

● comment

Petbow has taken it on the chin. Losses had begun to accelerate six months ago as a daunting list of underpriced contracts began to make its presence felt, and the management had got out of touch. So the board took an axe to the staff, decentralised its operations and adopted a more conservative accounting policy over exports to struggling third world oil producers. The initial result of this expensive purge is Petbow's worst ever loss. But in the current half, all divisions are back in the black and a reduction in working capital has helped gearing to drop nearly 10 points to 27 per cent of shareholders' funds. The plan now is to reduce exposure to high risk markets in the Middle East and Africa and concentrate more on the UK and budding south-east Asian economies. Further ahead, Petbow plans to diversify away from the oversupplied generator industry, which takes 90 per cent of turnover, and give a greater emphasis to diesel driven welding machines, where it is UK market leader. The shares slipped 5p to 41p, capitalising Petbow at £5.6m. However, the Bird family's more than 50 per cent stake would be a hefty stumbling block to any competitor wishing to buy a greater share of a tight market.

Margin rise gives Lloyds & Scottish £22m

THE SECOND half at Lloyds and Scottish, the finance house, has produced profits doubled to £11.8m, and gives a total of £22.4m for the year ended September 30 1983, compared with £12.3m last time. Margins have been better, but the benefit was partly offset by the need to provide more for bad and doubtful debts.

Earnings are shown at 7.56p, against 5.42p before an exceptional £1.3m credit and 6.52p thereafter. The final dividend is 2.87p for an unchanged net total of 3.87p. Lloyds Bank holds 60.3 per cent of the capital and Royal Bank of Scotland owns 39.26 per cent.

Reduction in the cost of money this year had a significant impact on the margins on business written in previous years. It was also possible to increase the margins on new business, and a buoyant demand for credit, particularly in the consumer sector, also contributed to profit growth.

Integration of Lloyds and Scottish Finance and Bowmaker has progressed during the year, and in January the Lloyds Bowmaker Finance Group, and its three operating divisions—retail, personal and corporate—come into being.

Demand for the group's factoring services continued to grow and both Alex Lawrie Factors and International Factors achieved increases in pre-tax profits.

Accounting policy for regional development grants on leased assets has been changed. The amounts credited to profit and loss are now grossed up at the current rate of corporation tax with the notional amount of tax being added to the tax charge. The amounts are £2.3m for 1983 and £1.6m for 1982.

Differences arising from changes in rates of exchange are taken direct to reserves. Accordingly, the extraordinary charge in 1982 of £0.3m has been restated.

After tax £9m (£5m), minorities £1.9m (£0.9m) and extraordinary debit £1.9m (exceptional credit £1.3m), the net attributable profit comes to £9.6m (£7.7m). The extraordinary charges comprise losses less gains on disposal, including provision, of investments in subsidiaries and associates, and a deferred tax credit.

On September 30 shareholders' funds, including minorities, stood at £233.2m, compared with £165.1m a year ago. Net borrowings were £1.64bn (£1.35bn) and gross assets £2.55bn (£2.09bn).

Bromsgrove Casting doubles

Pre-tax profits more than doubled from £31,000 to £78,000 at Bromsgrove Casting and Machining for the half-year to the end of September 1983. Turnover of this company, which manufactures a wide range of aluminium and non-ferrous castings, increased from £1.92m to £2.35m.

The net interim dividend has been held at 0.75p. In the last full year a total of 2.25p was paid from pre-tax profits of £140,000.

Forminster

Turnover of Forminster, the ladies' and children's outerwear manufacturer, dropped from £7.24m to £7.03m in the half-year to October 31 1983 and pre-tax profits were lower at £603,548, compared with £755,942.

The directors say, however, that as indicated in the last annual report, it is confidently expected that results for the second half of the current year will show an improvement over those now reported.

The net interim dividend is maintained at 2.03p per 10p share—last year's total was 4.97p on taxable profits of £1.61m.

Tax for the first half took £320,000 (£392,000) leaving net attributable profits down from £363,942 to £283,548. Earnings per share dropped from 7.45p to 5.26p.

Yearlings total £16m

Yearling bonds totalling £16m at 9⅞ per cent have been issued by the following local authorities: Alnwick District Council £0.25m; Bassetlaw DC £0.5m; Isle of Wight DC £0.5m; Nottingham (City of) £1.5m; Rochdale Metropolitan Borough Council £1.0m; South Oxfordshire DC £0.25m; Taunton Deane BC £0.5m; West Lancashire DC £0.25m; Birmingham (City of) DC £2.0m; Brighton BC £1.0m; Walsall MBC £1.0m; Hillingdon (London Borough of) £1.0m; Brentwood DC £0.25m; Kensington and Chelsea (Royal Borough of) £1.25m; New Forest DC £0.75m; Sefton MBC £1.0m; Tonbridge and Malling DC £0.5m; Barking and Dagenham (London Borough of) £0.5m; Bournemouth (Borough of) £1.0m; Ellesmere Port and Neston BC £0.5m; Northampton (Borough of) £0.5m.

Nth. British Steel losses deepen

FURTHER LOSSES, following a fall into the red at the interim stage, were incurred by North British Steel Group (Holdings) in the second half of the year. Taxable losses amounted to £675,000 making a loss of £1.45m, compared with a £335,000 profit, for the 12 months to September 24 1983.

However, the deficit was struck after first and second half exceptional expenses of £59,000 and £373,000 respectively. Prior to these charges the loss half-on-half fell from £714,000 to £302,000.

Last year's comparable figures have been adjusted. Turnover is shown as falling from £18.15m to £13m and interest charges are given as £133,000 (nil). The exceptional expenses consist of severance payments of £303,000 (nil) and cost of participation in the steel castings industry rationalisation scheme for the current year of £129,000 (nil).

The final dividend is being cut by 50 per cent from 1.49p to 0.745p leaving the year's payout down at 1.105p compared with 2.2p.

The company, a steel founder and engineer, says that the overall order load for the foundries shows considerable improvement over the same time last year though, the directors warn, further economies must still be made.

They say that in the second half of the year substantial orders for the Armadale foundry were won, although benefits to the company will not be seen until the current year, due to the longer manufacturing time in specialised castings.

Following the Lazard Brothers scheme, the lighter foundry at Bathgate was approved as a source of castings by new customers, but the order position remained difficult since many customers are working well below capacity.

The new AOD melting process, commissioned in September, has been operating successfully on a limited scale, and progress is bein made in attracting orders for this latest Bathgate facility, which gives access to a wider market.

Elsewhere, the directors say that Balbardie has made a promising start to the current year.

Commenting on current year's outcome the directors say that the group's financial position remains strong, and performance shows an improving trend, which should result in a return to modest profitability.

There was a tax charge for the year of £23,000 (£57,000) which left an attributable loss of £1.47m (profit £278,000) equal to a 28.9p loss (5.5p profit)

Western Selection falls £0.2m

SEVERE price competition in the general cable industry was largely behind a decline in turnover and profits at Western Selection for the year to the end of September 1983. Turnover moved down from £6.97m to £5.66m and pre-tax profits from £601,000 to £405,000.

The directors say that provided no disruption is experienced which affects turnover targets for the ensuing year, and the level of export business continues to expand, they anticipate a more favourable result in 1984.

Export orders increased by more than 50 per cent to £1.7m.

The net final dividend is held at 1.5p, which brings the total to 2.5p (same). Earnings per 20p share slipped from 4.65p to 2.28p.

Following a decline of £75,000 to £233,000 at the midway stage, the directors said that the outlook for Duratube & Wire, the main telecommunications subsidiary, depended on maintaining and improving margins on UK business—they said there wer signs of improved demand. If the stock market remained buoyant, they hoped for an improved second half—in the event second-half profits fell from £293,000 to £172,000.

The directors now say that the general portfolio benefited substantially from buoyant conditions throughout the year, but Duratube had exceptionally difficult trading conditions.

A breakdown of profits showed Duratube & Wire £212,000 (£405,000); parent company £152,000 (£140,000).

Tax rose to £178,000 (£140,000).

Highgate Optical

Pre-tax losses of Highgate Optical & Industrial increased from £25,020 to £59,640 for the half year to June 30 1983 on reduced turnover of £714,203, against £845,230. Last year's loss was before a tax credit of £6,205.

The figures excluded the interim results of Braceguard—purchased in January 1982 and sold in May 1983—being pre-tax losses of £292,519 (£266,114 for year 1982) and after-tax losses of £194,626 (£168,221).

This close company, which distributes optical equipment, has not paid any dividend since 1980.

John Williams

Pre-tax losses at John Williams of Cardiff fell slightly from £1.66m to £1.6m for the year to the end of September 1983. Turnover of this steel stockholder and achitectural products concern moved down from £19.17m to £15.36m.

There is again no dividend—the last payment was a final of 0.5p in 1981. Losses per 25p share came to 22.2p (21.34p).

There was a tax credit of £3,000 (£22,000). Minorities came to £54,000 £154,000), and extraordinary debits last time totalled £552,000. The attributable deficit was reduced from £2.03m to £1.54m.

Sheraton Securities

A fall in net property income together with an increase in interest payable left USM stock Sheraton Securities with lower pre-tax profit of £6,000, compared with £41,000, for the six months to September 30 1983.

Gross rents, of this property development and investment concern, were little changed at £264,000 against £262,000, while net property income was £185,000, compared with £198,000 and interest was higher at £179,000 (£157,000).

There was no tax charge for the period, but a below the line profit on investment property sales of £105,000 resulted in an attributable surplus of £111,000 (loss £4,000). In the comparable period last year costs of joining the USM absorbed £45,000. There is still no dividend payment.

Alliance Investment

Net assets attributable to ordinary shareholders at Alliance Investment rose from £38.58m at April 30 1983 to £39.61m at October 31. The figure was £30.12m at October 31 1982.

At the interim stage, net asset value per 25p share was 89.6p compared with 68.4p adjusted a year earlier, and 87.4p adjusted at April 30. This represented a 2.5 per cent increase since April, and at the end of November the net asset value had increased to 94p.

Pre-tax profits at halfway were down from £580,000 to £412,000, and this was due to higher management expenses and interest charges

The interim dividend is effectively unchanged at 0.5p. Earnings per share were down from an adjusted 0.79p to 0.63p.

Saatchi & Saatchi

Saatchi & Saatchi Co, Britain's biggest advertising agency, has finalised the listing of its American Depository Shares in New York.

The managers of the U.S. underwriting group have completed the public offering of 1.4m ADS (4.2m ordinary shares) at a price of $22 per ADS (£5.11 per ordinary share translated at the noon buying rate on December 9, of $1.435 per £1). The ADS will not rank for the final dividend of 5.58p per share for the year ended September 30.

R. Kitchen Taylor sustains recovery and makes £2m

SUSTAINING A trend of higher profits Robert Kitchen Taylor pushed second half taxable profits up by 70 per cent, lifting the year's total up from £1.34m to £1.96m.

The increase was achieved with good contributions from each of its three main activities and was enhanced by a cut in interest payable from £596,000 to £420,000.

In the year to September 30 1983 the company, which is engaged in knitwear manufacture, textiles, and property investment and dealing experienced a rise in turnover to £23.62m against £22.41m.

The final dividend is held at 8p net making an unchanged total of 11p.

On the results, the directors say that merchanting did well and added a new and promising venture to its activities.

Elsewhere, they say that the outstanding feature of manufacturing was its performance in the U.S. A new subsidiary in that country has been formed to increase potential sales, they add.

The property side was strengthened during the year by two purchases in Maidenhead which, they say, should be trading profitably in the future.

The tax charge for the 12 months was £895,000 (£707,000), after which earnings per 10p share are given as 24.6p (14.5p). Minorities accounted for £107,000 (£64,000) and there was an extraordinary debit this time of £350,000, being rationalisation costs.

Recession still hits Sterling Inds.

A £113,000 drop in profit to £302,000 is reported by Sterling Industries for the half year ended September 30 1983. The net share from Crewkerne Investments has moved ahead from £123,000 to £143,000.

The lower profit reflects the effects of the continuing recession and the expense of seeking to increase market share both at home and abroad. Against this background, "no significant improvement can be seen in the second half," the directors warn members.

Turnover of the Sterling group, which is engaged in light engineering and is a subsidiary of Cayzer Trust, came to £3.05m (£2.91m). After tax £111,000 (£191,000) the net profit is £191,000 (£224,000); to this is added the Crewkerne contribution to make a net total of £334,000 (£347,000). Earnings are given as 1.62p (1.68p) per share and the interim dividend is held at 0.5p.

Sterling holds 50.5 per cent of Crewkerne, whose income in the main stems from its 16.3 per cent interest in Caledonia Investments, of which Sterling's proportionate holding is 8.2 per cent.

Public Works Loan Board rates

Effective December 21

Years	Quota loans repaid by EPI†	Quota loans repaid At‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EPI†	Non-quota loans A* repaid At‡	Non-quota loans A* repaid at maturity§
Up to 3	10½	10½	10¾	11⅝	11⅝	11⅝
Over 3, up to 4......	10½	10½	11	11⅝	11⅝	11¾
Over 4, up to 5......	10¾	10¾	11¼	11⅝	11¾	11¾
Over 5, up to 6......	10¾	10⅞	11¼	11⅝	11¾	11¾
Over 6, up to 7......	10⅞	11	11¼	11⅝	11¾	11¾
Over 7, up to 8......	11	11	11¼	11⅝	11¾	11¾
Over 8, up to 9......	11	11⅛	11¼	11⅝	11¾	11¾
Over 9, up to 10 ...	11¼	11¼	11	11⅝	11¾	11¾
Over 10, up to 15...	11¼	11¼	10¾	11¾	11¾	11¾
Over 15, up to 25...	10⅞	10⅞	10⅝	11½	11¼	11
Over 25	10⅞	10½	10½	11¼	11	11

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Philip Harris rises but warns on price freeze

Philip Harris (Holdings), manufacturer of scientific apparatus, pushed its pre-tax profits up by £61,264 to £258,000 for the six months ended September 30 from turnover of £11.98m, compared with £10.77m.

The medical company achieved further growth in sales and net profit but the directors warn that the 2.5 per cent price reduction and price freeze from August 1, arbitrarily imposed by the DHSS, will "further erode already very slim margins and necessarily reduce the contribution to profit that was anticipated earlier in the year."

Home educational sales have improved substantially to date, but exports remain very difficult with import restrictions and hard currency shortages in the company's Third World markets.

However, a substantial order book for execution in the current year has been built up and overall, despite continuing difficulties, the directors are still working for an improvement in the group's performance for the full year.

The interim dividend is being held at 2p net from earnings of 3.8p (2.89p) per 20p share—a final of 4.75p was paid for the 1982-83 year from taxable profits of £487,000.

Tax for the opening six months rose from £102,303 to £134,160 to leave available profits at £123,840, against a previous £94,434.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
British Dredging ...	int.	1	Jan 30	—	—	1
Bromsgrove Casting	int.	0.75	Feb 16	0.75	—	2.25
Equity and Law	int.	5	Feb 2	5	—	18.5
Forminster	int.	2.03	Feb 20	2.03	—	4.97
Kelsey Inds.		5.5	March 7	5.5	8	8
Robert Kitchen		8	—	8	11	11
Lloyds and Scottish		2.87	—	2	3.87	3.87
Philip Harris	int.	2	Jan 27	2	—	6.75
North British Steel		0.75	—	1.49	1.11	2.2
Petbow	int.	Nil	—	—	—	Nil
Sterling Inds.	int.	0.5	Feb 21	0.5	—	1.95
Western Selection		1.5	April 4	1.5	2.5	2.5

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted companies.

65 companies wound up

COMPULSORY winding up orders against 65 companies were made by Mr Justice Nourse in the High Court. They were:

Metro Metal Traders, Sorreltex, Vyrena Transport, Thermalfix, FKO (Shipping and Forwarding), Madison Consolidated, Trailerpull.

E. Nener & Sons (Swansea), Stafford Pemberton Publishing Company, Transform Continuous, C G M Recruitment, Growglen, Kenico, J.M.F. (Computer Supplies), Elite Colour Print.

Curls (Fencing Specialists), Hartbond, Regent Management, Hindleys Sawdust (Contractors), Hinckley Building Co., A.M. Photo Holdings.

F. A. Deason (Garages), D. O'Donnell (Plant Hire), Springfield Electrical Contractors, Atherbrook, Infura, Midland Phot-Litho Company.

The Phone Booth, Gracewell Products, Advanced Fuel Economy Systems, Franco Signs, D.B Baker Upholstery Co., Centre Construction.

B rneyville, Vantageworth, Dormatter, County Commercial Cars PLC, Fitwell, Kelly Road Signs (Maintenance), Lee Matrix, London Radio Cars (Services), Owenrock, Mason & Burns, Powerlock Engineering & Design, Atek (Pollution Control), Steadfast Sheet Metal Installations.

Full Circle Advertising Designers, Mason Publicity Services, Bolafin, Reefbell International, Abco Steel Services, Thames Motor Holdings.

Blueline Travel, B. P. G. Engineering Company, C & E Roofing, C. K. Manghnani and Company, Flashman, Hillsage.

Albatross Produce Company, Luxbourne, Caledon Publishing Co., Rock Forge Garage (Shrewsbury), Fashion Fold.

...NO 24...7½/8...

A compulsory winding up order made on December 5 against Intercon Textiles (South Wales) was rescinded and the petition dismissed by consent.

COMPANY NEWS BIDS AND DEALS MINING NEWS

Kelsey below target as second half slump pulls profits lower

Kelsey Industries has missed its profits forecast for the year to September 30 1983.

At midway, when an advance from £585,000 to £808,000 was reported at the pre-tax level, the directors said they were confident the full year outcome would show a worthwhile improvement.

However, in the event a second half slump from £679,000 to £331,000 pulled the year's profit down from £1.26m to £1.14m.

The directors now say the situation is beginning to improve and they are confident the current year will show a satisfactory increase in profits.

Turnover for the period under review rose from £21.63m to £25.16m, with UK manufacturing activities contributing £6.93m (£7.48m), exports and overseas £12.2m (£8.25m) and UK contracting and building £6.04m (£5.9m).

The pre-tax profit included minorities of £68,000 and consisted of: manufacturing £793,000 (£744,000), contracting and building £194,000 (£209,000) and other activities £152,000 (£311,000). These refer mainly to interest received and rents to the holding company from subsidiaries, less amortisation of leases.

Tax took £523,000 (£470,000) for net profits of £616,000 (£794,000) and earnings of 12.9p (16.7p) per 25p share, while the final dividend of 5.5p net as forecast holds the total payment at 8p on reduced capital.

Below the line there were extraordinary credits of £87,000 (£221,000) and, with dividends absorbing £409,000 (£461,000), the retained balance came through at £294,000 (£554,000). During the 12 months the company purchased 768,000 of its own ordinary shares at 218p; the £1.67m cost of which left unappropriated profits carried forward at £6.83m (£8.21m).

Capital reserves have been reduced by a £410,000 surplus realised on the sale of property (included in extraordinary items) increased by a further £459,000 surplus on property revaluations.

In his first statement as chairman, Mr Brian Arbib points out that over the last few years the group has made many changes in its activities, particularly in respect of overseas operations, besides certain domestic rearrangements. The directors are confident, he says, that these investments will produce growth for Kelsey in the future.

Taking these changes into account, he describes the 12 months under review as disappointing, but states that regard must be taken of the fact that not all the projects have reached the point of producing expected returns. In addition — faced with a difficult world economy — demand for the group's goods and services has not returned to earlier levels.

At the time of the interim forecast it had been anticipated that Kelsey Building Products would produce better results, he explains. There were also other start-up costs in Malaysia, Canada, and Germany, a major part of which occurred in the second half of the year.

Within the solder division in the UK the works, laboratory and administrative functions moved to the premises made available as a result of the rationalisation plan following the sale of the group's sealant business. The full financial benefits of the move will arise in the current year.

Demand for solder products in the UK and continental Europe continue at the same lower level as in the previous year and the pressure on margins still prevails, Mr Arbib reports.

Results of audio video products benefited from the introduction of new maintenance products for video recorders and micro computers. Development of new and improved products continues and prospects appear to be good in the short and medium-term, he adds.

As for contracting he says Kelsey Roofing Industries produced similar profits and has good orders in hand.

During the year the group acquired the slating and tiling division of Manchester Slate Company (Contracts) which it is now operating as Manchester Slate and Tile. It has already made a worthwhile contribution and, as its business has been absorbed into existing organisation, there is no doubt that it will be profitable in the first year under Kelsey's control.

Commenting on Kelsey Building Products Mr Arbib says the directors are concerned at the trading losses that this relatively new company has made in the past two years and steps have now been taken to curtail overheads considerably and an effort is being made to increase sales volume.

Bowater agrees sale of Swiss associate

By David Dodwell in London and John Wicks in Zurich

The Bowater Corporation has accepted a binding offer from Migros, the Swiss retail co-operative, for its 46.15 per cent stake in the Basle shipping company Schweizerische Reederei und Neptun (SRN).

A final decision on the transaction is expected to be taken by the SRN board on January 19 enabling completion of the deal in February 1984. In the meantime, Migros is to negotiate with other shareholders with a view to obtaining a majority stake in the company.

SRN is Switzerland's largest shipping company. From a base in Basle, it has a 70-strong fleet of barges plying the Rhine, and *extensive warehousing facilities*.

Bowater said yesterday that it is likely to receive about £5m for its stake. The current market capitalisation of SRN is SwFr 18.2m (£5.78m). It has held the stake in SRN since 1975 through a Swiss subsidiary, Neptun International Holding, and has been indicating for some time that it was interested in disposing of the stake as part of a strategic shift away from operations like warehousing and Rhine shipping, and into service type operations such as freight forwarding.

Mr Dennis Rees, Bowater's company secretary, said yesterday that the company had over the past three years expanded rapidly into freight servicing, to the point where it is now one of Europe's larger groups in this area.

With 100 offices and 3,000 employees in Europe and the Far East, its leading freight forwarders are Baxter Hoare in the UK, Rhenania in West Germany, Mondia in France and Copex-Neptun which operates in Belgium, Netherlands and Luxembourg.

Mr Rees added that selective acquisitions are planned, over the coming year, in Europe, the U.S. and elsewhere.

Migros is Switzerland's largest single importer. It already owns one Swiss shipping company, Reederei, which is based in Zurich and has a 15-vessel fleet.

Yesterday, Migros said that it has already begun talks with the Swiss Federal government, and the cantons of urban Basle and rural Basle, to ensure majority control of SRN. These authorities together hold a stake of 26.49 per cent in SRN.

Migros intends to offer other SRN shareholders a sum of SwFr 1,200 (£381) for every share. The company's share price has risen close to this level in recent over-the-counter trading in Basle.

Migros said yesterday that Bowater would probably never have been allowed to obtain a majority holding in SRN, even if it had wanted to. The Migros offer, made at a board meeting late on Tuesday, is said in a company a statement to have been "a Swiss solution to avoid the Bowater shareholding passing into other foreign hands."

Coates Bros. expands in U.S. with £7.1m purchase of Colonial

BY CHARLES BATCHELOR

Coates Brothers, the family-controlled manufacturer of printing inks, is undertaking a major expansion in the U.S. with the purchase of the Colonial Printing Ink division of Millmaster-Onyx Group for \$10.12m (£7.1m).

Coates has had reciprocal licensing agreements with Colonial since the mid-1960s. The U.S. company, which is based in Rotherford, New Jersey, is expected to make net profits before interest and tax of \$1.41m on turnover of \$14m in 1983. It employs about 90 people.

Colonial makes and distributes printing inks used in the screen process field. These are used for printing on *textiles such as tee shirts* and sports wear and also on printed circuit boards.

Coates already has a relatively small presence in the U.S. making toner for office copying equipment in Pennsylvania and inks for use in heat transfer printing in South Carolina.

Mr David Youngman, Coates managing director, said: "Not being an acquisition-minded company this is a big leap for us. It is unlikely we will be making any other moves in the immediate future."

Millmaster was bought from Gulf Oil by its current president and major shareholder Mr Robert Milano about 12 months ago and has since been disposing of a number of peripheral activities.

Coates is to acquire leaseholds, plant and machinery, patents and trade names, stock and receivable items less payables. The value of fixed and intangible assets is \$4.75m while working capital at December 28, completion date for the deal, has been estimated at \$5.37m.

Coates will borrow the entire purchase price.

It made a pre-tax profit of £3.87m in the six months ended June 30 1983 compared with £4.5m in the same 1982 period. Group turnover rose to £66.4m from £59.35m.

Coates makes printing inks, printers' supplies, lithographic plates and chemicals, synthetic resins, reprographic toners and industrial surface coatings. It employs 3,200 people, 1,540 in the UK.

Its shares rose 8p to 92p yesterday.

Go ahead for London Brick

London Brick, the sole supplier of fletton bricks in the UK market, said yesterday that it had gained the approval of both the Office of Fair Trading and the Takeover Panel to proceed with the two non-fletton facing brick acquisitions it announced last week, hours before Hanson Trust unveiled its £170m cash bid for the group.

Mr Jeremy Rowe, the chairman of London Brick, claimed that Hanson had attempted specifically to block the deal whereby London Brick has signed heads of agreement to buy Milton Hall, a non-fletton brick supplier based in the Essex region.

Mr Rowe said that he felt that the market for fletton and non-fletton bricks would be a more suitable case for a Monopolies Commission reference in the context of Hanson's bid now that the Milton Hall acquisition is to proceed as planned.

U.S. group builds ICI stake

STEADY AMERICAN buying of Imperial Chemical Industries shares has lifted Morgan Guaranty Trust's stake in the chemical company to 15.18 per cent, the U.S. investment bank disclosed yesterday.

This compares with a 13 per cent stake at the beginning of December and 7 per cent in September.

The increase in U.S. holdings in ICI reflects Morgan Guaranty's issue of American depositary receipts (ADRs) in ICI shares. These ADRs, tradeable in the U.S., are attractive to investors because they do not attract stamp duty. In tandem with ADR sales, Morgan Guaranty buys ICI shares in nominee accounts in London.

It disclosed yesterday that of its 92.72m shareholding in ICI—worth £600m at yesterday's market price of 645p—93 per cent was registered in the name of its nominee company, Guaranty Nominees.

Provident Financial

Provident Financial Group has *completed acquisition of James* Keir, a company which supplies jewellery and watches to Provident customers, for a maximum consideration of £450,000. This will be satisfied by an immediate cash payment of £250,000 and a further amount payable.

Hawley acquisition

In accordance with terms of the acquisition by Hawley Group of Derwent Cleaning and Maintenance (Kent), in June 1983, a further 196,260 ordinary shares in Hawley are to be issued to the vendor.

Key Lake enters the world uranium league

BY KENNETH MARSTON, MINING EDITOR

THE WORLD'S biggest operating uranium mine, the C\$500m (£282m) Key Lake operation in Saskatchewan, is now getting into its stride. Its first drum of uranium oxide was packaged at the open-pit mine and mill complex on October 20 and production to the end of November totalled 700,000 lb of uranium oxide. Design capacity of 1m lb per month should be reached early in 1984.

The Key Lake mine represents a joint venture between Saskatchewan Mining Development Corporation (SMDC), a Saskatchewan state corporation with a holding of 50 per cent; Uranerz Exploration and Mining (33⅓ per cent); and Eldor Resources, a Canadian state corporation (16⅔ per cent).

Mr Roy Lloyd, president of SMDC, said that together with the corporation's share of production from the Cluff Lake mine, SMDC has become one of the world's major suppliers of uranium to markets in North America, Western Europe and the Pacific Basin. Key Lake also puts Canada in first place among the non-communist world uranium producers.

The shallow open-pit mine's reserves amount to 200m lb of uranium oxide at an average grade of 2.35 per cent. At an annual production rate of 12m lb a year it will contribute about 12 per cent of world uranium production.

Deadlock at Driefontein over reinstatement issue

SOUTH AFRICA'S Driefontein gold mine in the Consolidated Gold Fields group says that deadlock has been reached at the meeting of the conciliation board which was called to consider the labour dispute at the gold mine. The case will now go to the Industrial Court.

The dispute arises from an original claim by some of the miners that their working area was unsafe. Mine officials and the chief inspector of the Government Mining Engineer's Department subsequently inspected the area and decided that the suspect support conditions were, in fact, safe.

The majority of the stoping gang members returned to work, but 17 men refused and were dismissed. Since then the safety issue has not been in dispute, it is stated, but the National Union of Mineworkers—mainly composed of black miners—has been demanding reinstatement of the men dismissed.

Meanwhile the chairmen of the Anglo American Corporation group's Orange Free State gold mines have been criticising the lack of progress in negotiations between the Chamber of Mines and the white unions to allow black mineworkers promotion to the more skilled job categories.

Billiton extends Hemerdon option

THE Royal Dutch Shell group's *Billiton (UK)* has extended to end-1984 its option to purchase the Bermuda-registered Hemerdon Mining and Smelting's 50 per cent interest in the Hemerdon Ball tungsten and tin project near Plymouth. The other 50 per cent is owned by America's Amax.

Billiton has thus made the required loan to Hemerdon (UK). If, and when, Billiton exercises the option it will pay a purchase price of \$15m (£10.6m) to Hemerdon Mining and Smelting.

Meanwhile, final planning permission is still awaited for the Devon project.

MINING NEWS IN BRIEF

SOUTH AFRICA'S gold production fell in November for the *second month in succession*. The latest figure was 1,536,778 ozs, compared with 1,554,457 oz in October.

The November figure is still higher than the comparable figure of 1,521,215 oz, and brings the cumulative total for the first 11 months of 1983 to 20,125,725 oz or comfortably ahead of the 19,664,699 oz produced at the same stage of last year.

* * *

Australia's Pancontinental Mining has received the feasibility study into the Paddington gold prospect it commissioned from Davy-McKee Pacific. Drilling to date at Paddington, 34 kilometres north of Kalgoorlie in Western Australia, has outlined two deposits totalling 6.4m tonnes of ore at an average grade of 3.2 grammes of gold per tonne.

The study, done on the basis of an extraction rate of 575,000 tonnes of ore a year over seven years, concludes that the project would be viable at current gold prices.

The capital cost is estimated at A\$30m (£18.75m), with initial production concentrating on the higher-grade areas.

Pancontinental said it is considering the findings of the study, and will decide on the timing of development early in the new year.

* * *

Orofino Resources of Canada has encountered a new zone of economic gold mineralisation at *a vertical depth of 1,100 feet on* its property in the Swayze gold belt south-west of Timmins, Ontario.

The latest hole from the programme of underground sampling, now complete, intersected 7.1 feet of ore grading an average of 0.219 ounces (6.8 grammes) of gold per tonne, and a further 5.5 feet at an average of 0.286 oz (8.9 grammes).

Orofino's Mr Gerald Harper said that the results were exciting as they suggested there might be potential at greater depths.

Full results from the underground sampling programme are expected shortly, and will be incorporated into the feasibility study which is already under way.

Orofino is controlled by Northgate Exploration.

* * *

The junior Australian exploration company Ivanhoe Gold has reported further good gold intersections from a second drill hole at its Beaton's Creek property near Nullagine, in Western Australia's Pilbara region.

The new hole has been completed to a depth of 300 metres, and Ivanhoe said that all samples contained "detectable gold."

Values over 1 gramme of gold per tonne were reported from 11 intervals of 1 metre, but of far greater interest were four intervals with grades above 10 grammes per tonne. Grades in these intervals ranged from 13.9 grammes to as high as 26.1 grammes.

Ivanhoe has 45 per cent of the property, with Teos Mines holding a similar stake. The remainder is divided between South Eastern Petroleum and Ascot Holdings.

* * *

Malaysia's tin-producing Sungei Besi Mines made net profits of M\$1.09m (£330,000) in the six months to September 30, down from the M\$1.44m for the first half of the previous financial year.

The company said that this level of profits will not be maintained during the remainder of the year, which suggests that it is heading for the considerably lower profits forecast in the annual report a couple of months ago.

The fall in the second half will be attributable to development work and pre-stripping at the company's open-pit operations.

An interim dividend of 20 cents per share, less tax at 40 per cent, is declared. This compares with 10 cents last time, and is paid from earnings of 32 cents, down from 42 cents.

Disappointing debuts for Synterials and Henara

TWO newcomers to the Stock Exchange made disappointing debuts yesterday. Synterials, a Dutch-based technology company, saw its shares—30m of which had been offered for subscription at 100p each—open at 85p on the USM.

This represented a paper loss of almost £1m for the underwriters who had to take up about 33 per cent of the issue when it was undersubscribed last week.

However, with support from the company's brokers, James Capel, the share price rose to close at 90p. Jobbers described turnover in the shares as very disappointing.

The same low levels of turnover were evident in initial dealings in the shares of Henara, the hair care group, on the main market. The shares, which had been offered for sale at 95p, and had been subscribed twice over, opened at 97p each. In very thin trading they slipped to 94p, before closing at 96p.

Henara is currently offering shares to buy out the 20 per cent of the equity in its supplier, Dixor-Strand, that it does not already own.

The offer has been declared unconditional, and reaches its first closing date on January 3.

Milbury advances £0.24m

AN IMPROVED performance by its housebuilding division enabled Milbury to return sharply higher profits for the six months ended September 30 and the directors are confident that the improvement will continue through the second half of the year.

At the pre-tax level profits rose from £319,000 to £563,000, although turnover for the period slipped by £273,000 to £7.97m.

The result for the opening half included profits from the sale of shares in William Whittingham (Holdings) and a fee of £160,000 charged to Saint Piran, the parent company, for property advice which was within the normal activities of the enlarged Milbury group after its acquisition of Westminster.

As a result of the acquisition of Westminster, the group's capital base of net tangible assets has more than doubled. The directors are confident that this enlarged asset base will support the continued profitability and growth of the group.

Earnings for the first six months amounted to 9.81p (5.58p) — an interim dividend of 2.45p has already been announced.

Tax for the period accounted for £8,000 (£4,000) but below the line extraordinary credits added £267,000 (nil). After interim dividend payments of £139,000 (£69,000), retained profits emerged at £683,000, compared with £246,000.

There was a surplus of £2.26m on the valuation of the house-*building land bank as at Septem*ber 30. The valuation was carried out by independent firms of chartered surveyors and was at an open market value at that date.

The total value of the property portfolio of Westminster as at September 30 was £20m — all the properties and developments continue to be well managed and provide a growing rent roll.

Mr J. J. Raper will take over as chairman of Milbury, from Mr Malcolm Stone, on January 1. Mr Raper was chairman of Saint Piran from late 1973 to late 1976.

COMPANY NEWS IN BRIEF

For the year to September 30 1983 Windsor Securities (Holdings), the insurance broker formerly Brentnall Beard, saw pre-tax profits edge ahead from £255,000 to £265,000. This followed an advance from £82,000 to £81,000 at midterm.

For the 12 months, turnover totalled £643,000 (£759,000). There was a tax credit of £32,000 (debit £83,000) and earnings per 10p share expanded from 2.5p to 3.5p. On these a dividend of 0.75p (nil) net is being paid at a cost of £54,000.

The directors report that the international insurance and reinsurance broking business is being expanded and contract offices have recently been established in Spain and some areas of South America.

Profitability is being maintained and group finances continue to be "very strong," which augers well for the future, they add.

* * *

Pre-tax profits at Belgrave (Blackheath) the West Midlands' forging and machining holding company, for the six months to July 31 1983 were £18,000 against losses of £48,000 in the corresponding period last year.

Group turnover was lower at £1.32m compared with £1.57m. The trading profit was £58,000 against losses of £15,000.

The pre-tax figure was after interest charges up £6,000 to £40,000. Tax took £5,000 against a credit of £5,000, leaving net profits of £13,000 (£54,000 losses). There was an extraordinary debit last time of £101,000.

The directors say the return to profit represents a satisfactory turnround in performance, and further recovery is anticipated as the upset forging activity is now benefiting from earlier rationalisation.

The group is changing its year-end to December 31 in line with its major shareholder, Gomba Holdings UK.

Sturla reveals plans to reorganise offshoot

BY DAVID DODWELL

Sturla Holdings, the troubled finance group, has revealed plans for reorganising a consumer finance subsidiary by making an agreement with a four-man consortium of finance brokers.

The proposals, which have to be put to an extraordinary meeting of shareholders on January 4, form part of a recovery plan being formulated in the wake of a financial crisis, involving court litigation, which early this year almost brought the company to its knees.

The company is proposing a capital reduction scheme which will cut the nominal value of Sturla shares from 10p to 2p, thereby eliminating £3.59m of negative reserves.

A rights issue is also planned, whereby £2m of interest-bearing convertible redeemable preference shares will be offered. Exact terms of the issue will be outlined in a shareholders circular.

Once these proposals are approved, and have won court clearance, then trading in Sturla's shares can be resumed. Dealings were suspended in March, with the shares at 6p.

The reconstructed subsidiary is called John Royle and Co., and will operate under the name of Royle Finance. Four finance brokers based in Manchester, Huddersfield, Southport and Cardiff have agreed as a consortium to offer Sturla first refusal on all their consumer finance business. In return, 24 per cent of John Royle's shares will be held at the direction of the consortium.

Mr David Britton, Sturla's chairman since June, this week highlighted the reconstruction as one of the changes of corporate direction being devised by the new board to lift the company away from the precipice.

The long-delayed annual report and accounts for the financial year to April 30 1983 were released last week, showing losses before exceptional items of £548,000 — about £100,000 worse than predicted in June. Exceptional and extraordinary items amounting to £638,000 were also revealed, leading to a further anticipated reduction in the group's net asset value of £1.19m.

These losses follow equally difficult figures for the previous 15 months, in which net losses of £2.2m were reported after exceptional and extraordinary items were taken into account. Sturla's accounts have been heavily qualified in both years.

On the brighter side, Mr Britton released last week unaudited six-month figures to October showing a return to pre-tax profits at £31,000. This was accompanied by news that Sturla's bankers are converting short-term loans into medium-term facilities.

F. Miller sees profits fall 25% due to competition

BY DAVID DODWELL

F. Miller (Textiles), Glasgow-based supplier to Marks and Spencer, which 10 days ago agreed an £11.2m equity bid from Nottingham Manufacturing, yesterday blamed intense competition from cheap imported garments for an expected 25 per cent fall in pre-tax profits for the current financial year.

In a statement to shareholders explaining why the Miller board supports the Nottingham Manufacturing offer, chairman Mr Frederick Miller revealed that profits for the year to February 13 1984 are expected to be £1.8m—compared with £2.4m in the year just ended. This will bring to an end a 10-year record of steady, unbroken growth.

Mr Miller said that competition from cheap imports had continued, and the company had been unable to win contracts of sufficient size of keep his plant's automatic machinery operating at full capacity.

Noting that the trend of intense competition was continuing, Mr Miller said the outlook was "not encouraging." He added: "Even if the scale of the company's manufacturing operations were reduced, it would not be possible to restore former levels of profitability."

As part of a larger group—Nottingham Manufacturing is also a major supplier to Marks and Spencer—he felt Miller's future prospects would be "more secure."

The terms being offered by Nottingham Manufacturing—one of its own shares for every six Miller shares—are at a considerable discount to the market price prevailing when Miller asked for suspension at 42p in the first week of December. At present, Nottingham's shares are steady at about 216p, while Miller shares—returned from suspension—have drifted to 37p.

Virani sells Norfolk shares

Virani, the hotels and property group, has sold its entire holding of 1.39m shares (or 7.3 per cent) of the equity of Norfolk Capital, the hotels chain controlled by Lady Joseph, widow of Sir Maxwell Joseph.

Virani, which is run by Ugandan Asian businessman Mr Nazmu Virani, first disclosed on November 11 that it held 6.8 per cent of Norfolk and has since made small purchases.

The sale was made through Bank of Credit and Commerce International and the shares are believed to have gone in two tranches of about 3.6 per cent.

Mr Virani said at the outset that he saw his holding in terms of an investment while Norfolk described the two hotel chains as being in different parts of the market.

BIDS AND DEALS IN BRIEF

IN ORDER to have a direct par*ticipation in the rapidly expand*ing field of technology, Estates and Agency Holdings has joined a group which is acquiring the circulation control and data capture divisions of Plessey for a total consideration of £1.42m.

Other members of the group are Drayton Consolidated Trust, a BAT Industries group pension fund, and the existing management. The divisions are engaged in the development, marketing and maintenance of a range of computer systems and bar coding techniques. A new company called DS Limited has been formed to take over the assets and trade of these divisions.

Estates and Agency has subscribed £570,000, and will hold 30 per cent of the equity in DS together with £540,000 of 8 per cent unsecured loan stock repayable 1987 to 1992.

The loan stock is convertible into ordinary in certain circumstances. As a result of options granted to existing management, the E and A stake in the equity *of DS could be reduced to 25* per cent assuming non-conversion of the existing loan stock.

* * *

Greenbank Industrial Holdings, engineer, has acquired Didsbury Engineering, a manufacturer and designer of mechanical handling devices, in a £2.5m cash deal.

Pre-tax profits for Didsbury for 1982 were £467,574 and its book value of net assets at the year end amounted to £1.81m. Both figures have been adjusted and net assets included £670,000 cash.

In October, Greenbank reported lower profits of £605,000 against £666,000, after a cut in interest receivable, for the first six months of 1983—on turnover of £6.45m compared with £5.13m.

* * *

Percy Bilton has agreed to *acquire from* the trustees of the Philips Pension Fund 40 per cent of the capital which it does not already hold in Percy Bilton Developments.

PRD owns freehold industrial *sites at Slough and Erith. The* two sites comprise 1.75 and 11.5 acres respectively and produced a rental income in the year to December 23, 1982 of £390,392.

Bilton will be acquiring the shares for £1.8m and will be redeeming existing mortgages by PBDL to PPF, under which £1.52m is outstanding.

Total consideration of £3.4m will be satisfied by the allotment to PPF of 1.38m Bilton ordinary.

* * *

J. Henry Schroder Wagg has confirmed the completion of the reverse takeover of the suspended Unlisted Securities Market company Bell Electronics by DB Instrumentation, a private Aldershot-based defence electronics company.

The new company, DBE Technology, is to have its 10m shares *introduced onto the USM today.* The company's brokers are James Capel—they also acted for Bell Electronics.

Mr David Smith of Schroder Wagg said that the deal had *enabled* the directors of DB Instrumentation to obtain a quote for their shares, without needing to sell any. They will hold 70 per cent of the enlarged equity.

* * *

Gallaher subsidiary, the Mayfair Group, a leading European cigarette vending operation, is to acquire the Vendepac vending service business from Four Square.

Vendepac, with 11 depots nationally, is one of the largest vending operations in the UK and provides an operated service of drinks, snacks and confectionery to industrial and leisure outlets.

Mayfair sees the acquisition as a further development of its committed expansion programme into all areas of consumer vending.

* * *

Brengreen (Holdings) has completed the acquisition of White Cross and issued 6,853,583 ordinary shares as consideration.

CONTRACTS & TENDERS

MANAGEMENT: Marketing

EDITED BY CHRISTOPHER LORENZ

Alan Harper

Will word of mouth spread the Wispa?

David Churchill reports on Cadbury's latest confection

IT IS three o'clock on a damp *Friday afternoon in late October* in Newcastle-upon-Tyne. Some 48 sales executives from the Cadbury chocolate company are closeted secretly in a hotel in this North of England city to discuss the final plans for the launch the following Monday of a new chocolate bar—called Wispa. *It is the product* which could prove to be the major breakthrough in boosting Cadbury's fortunes in the competitive confectionery market. Absolute secrecy was considered essential to avoid arch-rival Rowntree Mackintosh from launching a pre-emptive strike in the area.

Suddenly, the secret was out. The local evening paper broke the story with a front page banner headline shouting the news: "*Wispa is back!*"

"All hell broke loose then," recalls Norman Hawkins, Cadbury's commercial director. "The local newsagents and con*fectioners were clamouring to* find out if it was true and when they could get supplies." These small shopkeepers clearly remembered the test launch of *Wispa in the* Newcastle area some two years previously—a test that had to be abandoned after a few weeks "because demand was so embarrassingly *high" and stocks simply ran* out.

Chocolate lovers, of which Britain has more per head than any other country in the world, persistently pressed their local shops for supplies of this oblong-shaped bar containing milk chocolate whipped into thousands of tiny bubbles. The few bars that were left even found their way on to a sort of black market. "We had many ordinary people even taking the trouble to write to us asking where they could get supplies," remembers Hawkins.

When Wispa returned to Newcastle on Monday October 24 this year, it sold 9.5m bars in the first week and boosted Cadbury's total market share in the region by almost a third—an unprecedented performance for a new product. The local *Woolworth store alone sold* 10,000 Wispa bars in one day—more than 10 times the number it would normally expect to sell of its most popular confectionery product. "It was simply unbelievable," enthuses Hawkins. "I've never seen or heard of anything like it in my 25 years in the business."

All this may sound very much like a marketing man's hyperbole, especially since the promotional package accompanying the Wispa launch was one of the costliest ever for Cadbury's. (If the money actually spent in Newcastle were reflected nationally, the amount would be some £7m).

But local stores in the Newcastle area confirm the extremely buoyant sales for Wispa. Large grocery multiples such as Tesco, which have been reluctant to take a new product so close to Christmas, are now eager to stock the chocolate bar in some quantity in the New Year.

Yet there remains a nagging doubt about any new chocolate product making any lasting impact in the chocolate confectionery market. The leading brands have been around for decades—Cadbury's Dairy Milk was first sold in the early part of this century while Mars bars first appeared a half a century ago—and few rivals have successfully emerged to challenge their dominance in a total chocolate market worth some £1.5bn last year. The chocolate market is also little different from other high volume consumer product markets in having a failure rate of nine *out of every ten new products* that are launched.

Despite the risks, though, Cadbury is confident enough to have spent £12m on a new custom-built plant at its Bourneville headquarters to produce the new chocolate bar.

Why should Wispa be any different? First of all, says Hawkins, it *offers* chocolate lovers a different way of eating Cadbury's chocolate. "Our market research has consistently shown that most people equate *chocolate with Cadbury's and* so we wanted to capitalise on this customer loyalty," he says.

Although Cadbury had toyed with an aerated chocolate bar as long ago as the 1930s, it took the company's research and development team at its Bourneville factory in Birmingham several years to come up with a consistent formula. This research was carried out during the 1970s when Cadbury, like other chocolate manufacturers, searching for new products to stimulate a market which, while growing, was rapidly becoming mature in marketing terms.

The process used to make Wispa is a jealously guarded secret since it involves whipping the chocolate into a textured, light, consistency and then wrapping it in a thin coating of milk chocolate.

Apart from consistency, another reason why Cadbury could be on to a winner is that Wispa assumes the "chunky" *shape* which chocolate consumers have increasingly appeared to prefer in recent years. Rowntree first identified this trend with its Yorkie bar, *which it launched in the mid-*1970s. The success of this product—offering chunks of chocolate rather than thin squares—eventually led to the other manufacturers, including Cadbury, following suit with chunky versions of their existing best-selling brands.

A further reason for Wispa's success is its pricing strategy. At 16p it costs 1p less than other such popular products as Mars bars or Cadbury's Flake (with which it is in competition). Cadbury believes that Wispa offers the taste of its chocolate at a price that makes it a quick impulse buy, especially by children, who remain an extremely price conscious section of the chocolate consuming public.

Not surprisingly, the promotional launch in Newcastle was geared towards children, with sky-divers parachuting into the Newcastle Football Club ground to deliver supplies of Wispa to local children's hospitals. The television commercials, produced by the Young and Rubicam agency, cleverly featured *television stars from such series* as Hi-de-Hi, Yes Minister, and It Ain't Half Hot Mum whispering the secret of Wispa to each other.

Yet in spite of the initial clamouring of the Newcastle public for Wispa, there are some within the trade who think Cadbury may still miss out. "The major threat to Cadbury establishing itself with a major new chocolate brand must come from Rowntree and its well-*established Aero product*," suggests Richard Eassie of the Mintel market research company, which closely follows new product launches. "Cadbury have seemed a bit slow in whole heartedly supporting Wispa and it may lose out in the end."

Rowntree has indeed launched a fierce counter-offensive to Wispa. When Cadbury first test-marketed Wispa in the Autumn of 1981, it prompted Rowntree to accelerate plans to bring out a chunky version of its Aero bars. "We had been the first into chunky chocolate bars with Yorkie," says marketing executive Gordon Priestly, "and so it was natural for us to extend the Aero bar into a chunky product."

Although the Aero bubbles are bigger than those in a Wispa, the chunky Aero still offers the same sort of light chocolate bar. Rowntree test-marketed the new-style bar in Yorkshire in September last year, and subsequently distributed it nationally from the Spring of this year. It is priced at 15p—1p less than Wispa. Trade estimates suggest it could eventually outsell the original Aero bars.

Whether it will outsell Wispa is another matter. In the Newcastle area the trade says that Wispa is heavily outselling the *new Aero*—but that is *not too* surprising, given the heavy promotional support for Wispa. Cadbury's Hawkins also denies that there is any reluctance by *Cadbury in supporting Wispa.* "It's a matter of being able to make enough Wispas to meet the demand from the Tyne-Tees area—which represents about 5 per cent of the chocolate-consuming public," he says.

Wispa sales were extended earlier this month to Northern Ireland—which is one of the *highest* per capita chocolate consuming parts of the UK—but Hawkins refuses to say how soon it will be before Wispa can be sold nationally, especially in the lucrative South-Eastern part of the country. Cadbury, it would seem, is hoping for a whispering campaign to induce chocolate lovers to start a national clamour for Wispa.

Advertising in 1983

Doing very nicely

BRITAIN'S advertising industry has many reasons to be *well satisfied with its progress* in 1983.

In terms of expenditure, advertising has performed exceptionally well with every single media sector—including classified—doing very well. This, suggests Mike Waterson, research director of the Advertising Association, is generally a good indicator of real economic recovery. "In fact advertising expenditure is at an all-time high. Whichever way you look at it," he says, "in absolute terms, as a percentage of GNP, it's high. The last time this was the case was 1973—it's taken this long to crawl back."

In fact the media cake has swollen by 9 per cent in real terms, the largest for many years. It's highly unlikely that this rise across the board is accidental, says Waterson. There's been a tremendous surge in company profits which, combined with a rise in consumer spending, means companies can see their markets expanding and are feeling more confident. Historically, whenever company profits and consumer expenditure have risen, advertising follows.

It has been a year which has seen a significant shift in attitudes to advertising—what it can and cannot do—with the industry winning allies and convincing people (many at government level) of its value as consumers' friend rather than gratuitous manipulator.

Recent moves by many of the professions—particularly opticians, solicitors and accountants—*towards* marketing themselves (backed in the opticians' case by the Government) is regarded by Waterson as 'a revolution' in how advertis*ing is perceived.* The *opticians'* affair is the first instance he knows of Government (Office of Fair Trading), consumer groups (Consumers' Association, the National Consumers' Council) and the advertising industry having concurred in such a way. "There's been enormous interest all round," he says of the professions. "It's important not so much for the revenue it might generate—which will be low initially—but for the principle of the thing. . . ."

Those pioneers of the industry to have gone public have turned in respectable, and in Saatchi's case, notable results. Saatchi, with pre-tax profits doubled to £11.21m in the 12 months to September 1983, outperformed them all. Its turnover, *too, more than doubled.* Most of this was through acquisition, though a healthy 35 per cent was organic growth.

Wight Collins Rutherford Scott reported substantial interim profits of £204,000 for the first time since going public (having lost £121,000 in the 1982 first half), plus gaining about £6m of new business.

Brunnings paid the price for heavy investment in its regional offices with pre-tax profits to end September halved at £252,000, though the outlook for 1984 is good.

Not so happy is Geers Gross which suffered stock market blues with only a modest rise in interim profits and no rise in interim dividend.

Record revenues

Commercial television, despite a shaky start to the year, with Channel 4 and TV-am's baptism by ire, ends on a high note. Record revenues are reported for October with a 34.4 per cent rise on 1982 of £94.9m. November beats that to show the largest monthly figure of £96.64m, a 25 per cent rise on 1982.

The Independent Television Companies Association reports a buoyant second half with ITV (including Channel 4) attracting 53.4 per cent of total viewing audience against BBC 1 and 2 — a considerable improvement on 1982 which was 49.5 per cent without Channel 4.

One area where there's no progress to report is the interminable Equity-IPA dispute now rumbling into its second year—a real problem, which has made life difficult for TV-am and Channel 4.

Commercial radio spawned three new stations and closed one. It's been a satisfactory year for this young medium; *national advertisers* which tested the medium in 1982 stayed for 1983. The most notable was Kleenex, which jettisoned its television links so good were its *radio results*, and now plans a total national radio campaign for 1984.

The top 20 agencies have been shaken and stirred by various mergers, account fittings and international alignments. Media Independents have come more to the fore this year, with two of the largest, TMD and Chris Ingram, billing £30m and £24.4m respectively. They have noted with wry amusement the trend *among* large agencies to siphon off their own media departments as separate entities (Horizons at Young and Rubicam, Mercury Media at Benton and *Bowles*).

Frank Lowe hoicked his young agency many leagues up the chart on his merger with the internationally linked but beleaguered Waseys.

Davison Pearce, the UK's third largest agency, celebrated its most spectacular year by increasing its billings by 41 per cent since its management buyout from Ogilvy and Mather in February.

New advertisers continue to join the ranks. In particular the financial sector shows the most growth—35 per cent. Government expenditure is up some 27 per cent, including local government and services recruitment campaigns.

For the poster business it has been a year of getting its act together. "The market has changed dramatically," says John Watts, chief executive of Mills and Allen, "from a slow moving long-term market to an extremely fast one. It's come up to date with a bang. Where short term used to mean booking in January for April, May and June, it now means talking about January in mid-December."

Despite the furore about data protection and privacy recently aimed at direct mail, now the nation's third largest advertising medium, the Direct Mail Sales Bureau reports that it has never been so widely considered as an alternative by advertisers.

There's considerable room for improvement in the way the press markets itself and services its advertisers, according to Ken Miles of the Incorporated Society of British Advertisers. Cooperation among newspapers is long overdue though the Newspaper Conference early next year bodes well.

Significantly, classified advertising (the first area to drop away in a recession since it *consists of 40 per cent of jobs*) returned from being pared back in 1980-81 to jump by nearly 10 per cent in real terms over the last six months of 1983. "*It is blindingly obvious*," says Mike Waterson "that the dramatic pick-up in classified reflects the reality of the economy."

Feona McEwan

TECHNOLOGY

EDITED BY ALAN CANE

APPLE STAKES ITS FUTURE ON ANIN]NOVATIVE PERSONAL COMPUTER?

Will 'Mac' make it big on 'broadway'

BY LOUISE KEHOE IN SAN MATEO, CALIFORNIA

FOR APPLE Computer, the future depends on "Mac," a personal computer that is expected to be unveiled at the company's annual meeting on January 24.

By then, however, "Mac" will be old news and the hundreds of analysts that follow the fast paced, multi-billion dollar personal computer industry will already have voted "Mac" a hit or a miss.

The introduction of a personal computer is a major event for any manufacturer. For Apple Computer, the introduction of "Mac" is critical. If the product is successful, Apple could regain its crown as the leading U.S. Personal computer maker. If "Mac" flops, Apple's pride, and the company's image as a technology leader, will go with it.

With so much riding on the event, it is being planned like a major theatrical production. Sneak previews are underway. These intimate showings of Mac are being staged in Apple's purpose-built product introduction theatre, complete with curtain-like partitions that are drawn back dramatically to reveal the product as the climax of the show. The Apple Theatre is currently running daily perform*ances for selected audiences of* journalists, industry analysts, retailers, and distributors who are invited to meet Apple's executives for a preview of the product.

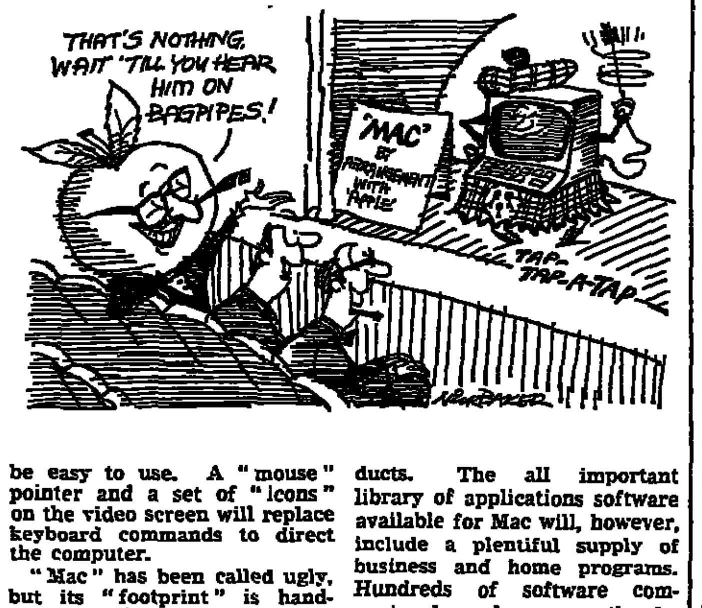
All attendees are required to sign non-disclosure agreements, lest they should be tempted to upstage Mac's first public performance at Apple's annual meeting in January.

Apple, and its publicity agents, are old hands at the product introduction shows. Last year the company revealed "Lisa" with similar dramatic art. In that case, the previews were a great success, but the "show" did not last on the road. Lisa is acknowledged as a technically superior personal computer, but it has not been a great success in the marketplace. Retailers continue to complain that Apple's Lisa is too expensive to compete with other computers, despite an 18 per cent price reduction in September.

Recently Apple president John Sculley acknowledged that Lisa was a disappointment. "We learned a lot from Lisa," he said. "Most of it was positive, but we made mistakes." Apple's biggest error, Sculley acknowledges, was introducing the *product in January and then not* shipping it until June. "The publicity was wasted," says Sculley.

Apple III, Apple's previous introduction, was also a flop. Although the company is now putting significant effort into reviving the III, the computer carries a heavy weight of nega*tive publicity, and indifference* from retailers.

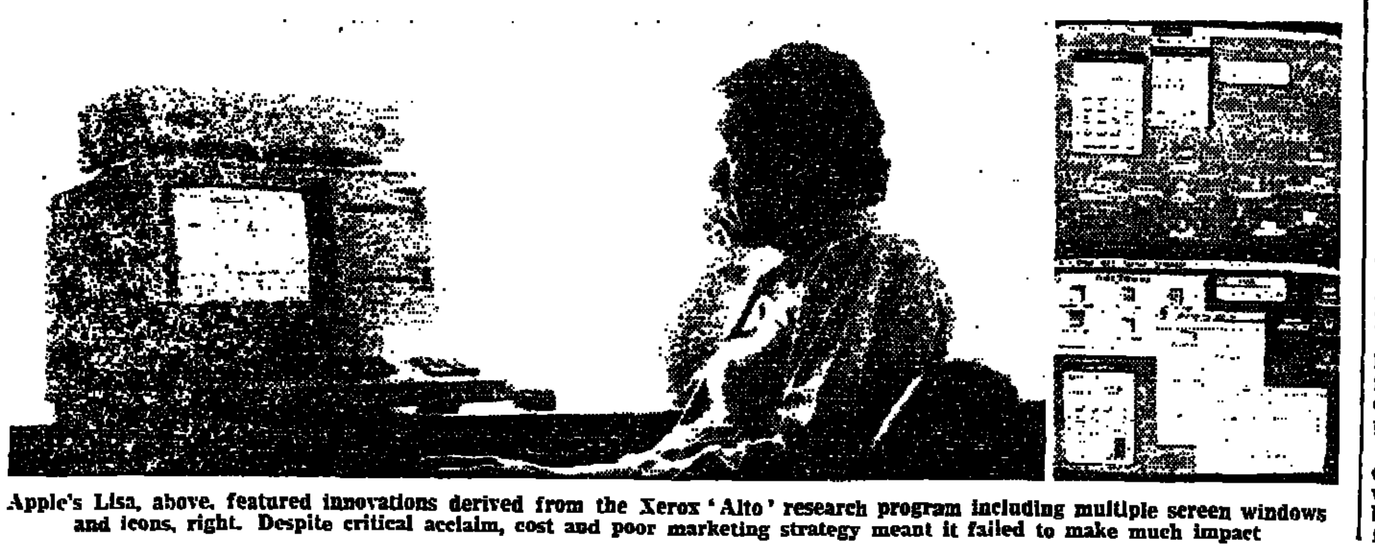
So Apple badly needs "Mac" to be a hit. According to those who have seen it, "Mac" will produce thunderous applaus. The machine is said to incorporate many of the innovative features of "Lisa" at a price that will appeal to a much wider audience. Like Lisa, Mac will be easy to use. A "mouse" pointer and a set of "icons" on the video screen will replace keyboard commands to direct the computer.



"Mac" has been called ugly, but its "footprint" is handsomely small. That is to say, it will take up very little desk *space—a criticism of earlier* Apples. Mac's brain is a 6800 microprocessor—more powerful than the 8088 used in IBM's PC. The machine will come with *plenty of internal memory and* will be equipped with a new type of micro-disk drives measuring only 3.5 inches in diameter.

Mac will have its own way of doing things on a proprietary operating system. It will not be immediately compatible with either the IBM Personal Computer or Apple's earlier products. The all important library of applications software available for Mac will, however, include a plentiful supply of business and home programs. Hundreds of software companies have been secretly developing programs for Mac over the past year. That, in itself, is seen as an industry vote of confidence.

When the curtain goes up, Apple and its shareholders will *be holding their breaths.* Mar now seems sure to meet with instant acclaim, but the real test for Apple will be whether Mac can reach the "broadway" of mass appeal in the personal computer market, or whether it will, like Lisa, remain an "off broadway" hit, that appeals only to the cognoscente of desktop theatre.



Apple's Lisa, above, featured innovations derived from the Xerox 'Alto' research program including multiple screen windows and icons, right. Despite critical acclaim, cost and poor marketing strategy meant it failed to make much impact

ADVANCE IN METER READING METHODS

Why the meter man should never have to call twice again

By PETER MARSH

METER READERS employed by electricity boards may soon experience a marked upturn in job satisfaction. A device sold by a company in Surrey promises to reduce the time they waste calling on houses when no one is at home.

With the hardware, the meter reader can measure electricity consumption *even when* the house is empty. Normally, such people can gain a reading only by physically inspecting the meter, which may be in the *basement of the house or under* the stairs.

The equipment produced by Infratec of Woking channels information from the meter to a *light cell* fitted into the front door. The electricity-board employee can then obtain a reading simply by pointing an infrared detector at the front of the house.

The instrument translates the series of pulses that the cell emits into a figure for the level of consumption, which is recorded in an electronic memory.

Several of Britain's electricity boards are talking to Infratec about buying the hardware. All the boards are concerned at the inefficiency of reading meters by employing inspectors. Sometimes half the calls that these people make are futile because the householders are out.

In one option, the electricity supply industry is experimenting with ways of obtaining data about consumption without the need for inspectors. For example, the information could be sent to the board's headquarters by radio waves or by the telephone network.

But Infratec, which is partly owned by another company called Micro Control Systems, says that its technique could be employed far more easily. The *modifications* to each house would cost only about £10, says the company. The electricity boards would also need to equip their inspectors with infrared detectors, which look like large torches, at a cost of a few hundred ponds each.

According to Infratec, the "torches" could be linked to instant billing machines, which the staff employed by the electricity boards would carry around with them.

The machines would receive information from the detectors and convert this to a bill, which could be immediately put through the householder's letter box. In this way, the cost of administering accounts and posting bills could be sharply reduced.

A key part of Infratec's system is the hardware that collects information directly from the meter. Mr Donald Bent, a director of Infratec, says this is so simple that he is surprised no one has thought of the idea before.

A small infrared transmitter is clipped to the side of the electricity meter. This directs *rays at the disc* inside the meter that revolves at a velocity proportional to the rate at which electricity is consumed. A small black mark on the disc indicates when the disc had made a complete revolution.

By "watching" for this black mark, the transmitter monitors the level of consumption. A small package of electronics converts this figure into a reading which is channelled by electric signals along wires to *the front door.*

The adavantage of this technique, says Infratec, is that the householder does not need to tamper with his meter in any way.

In another possibility, offices or factories could employ the same system to channel information from meters to central computers, for example as part of schemes to monitor energy consumption.

Cloth cleaned, pocket suited

BY ANTHONY MORETON

MANY OF the new fibres and new dyeing and printing processes introduced in the textile industry during the 1960s and 1970s arrived just before the cost of energy took off. The industry is therefore now engaged in a hunt for every possible energy-saving process.

The Shirley Institute in Manchester, *the leading* research body on the cotton and man-made fibre side of the industry, has, as part of a programme aimed at developing optimum low-energy pathways for textile finishing, designed and developed a new steam purge impregnation system.

This overcomes the problem of inadequate wetting-out cloth, which was a major stumbling-block to efficient energy use in fabric finishing and provides the key to single-stage, more streamlined processing.

Textile finishing may be divided into three distinct phases: cloth preparation; dyeing or printing, to impart colour and pattern; and application of a range of chemical and mechanical treatments to give the cloth dimensional stability and enhanced *performance—that is,* minimum-care, shrink-resistant, water-proof, low-flammability properties.

Steam purging is carried out at the first, preparatory stage, at which the cloth is thoroughly cleaned of all impurities, fats, waxes, lubricating oils and size, usually by *immersing the cloth* in hot alkaline solutions of detergent.

The steam purge prior to this scouring process ensures complete wetting-out of the fabric, which in turn makes all subsequent processing much more efficient, and is applicable to fabrics made from all types of fibre, even those which cannot be completely wetted out using conventional techniques.

Dr John Roberts, manager of the Institute's energy group, *who has been leading this work,* is confident that use of the new machine in conjunction with a combined desire, scour and bleach at low temperature can *reduce the level of energy use* and make significant cost reductions.

Shirley has worked in collaboration with Sir James Farmer Norton (International), a major UK finishing machinery manufacturer, to develop the new system purge impregnation system.

Computing

Readers digested

IN FEBRUARY, authors will receive their first royalties through the Public Lending Right—via a computer that has in its 680-megabyte store some 7,750 registered authors names and over a million book titles.

Logica has designed the special-purpose software and has also supplied a Perkin Elmer 3210 computer for the job.

The first PLR payments will be calculated from nearly 3m loans recorded in 16 sample libraries between January and June 1983. As each book is issued to the borrower, its label is read electronically to record the loan on the local library computer. The data will be transferred in bulk monthly to the main PLR machine at Stockton on Tees.

By scaling up, loans at the 16 sample libraries are used to determine what proportion of the available £2m each book has earned nationwide. There is a minimum limit of £1 per book and a maximum of £5,000 per author. Logica is on 01-637 9111.

Communications

Microwave radio link

MICROWAVE ASSOCIATES has introduced a lightweight portable microwave radio link suitable for medium- or short-range transmission of monochrome picture signals.

The hardware will link cameras and picture monitors, particularly in mobile units.

The link is frequency modulated and works in any allocated channel in the 1.2 to 2.0 GHz band. The transmitter and receiver have a high-gain dish aerial and an omni-directional aerial. The units work from a 12 volt supply and the range is up to about five metres. More on 0582 601441.

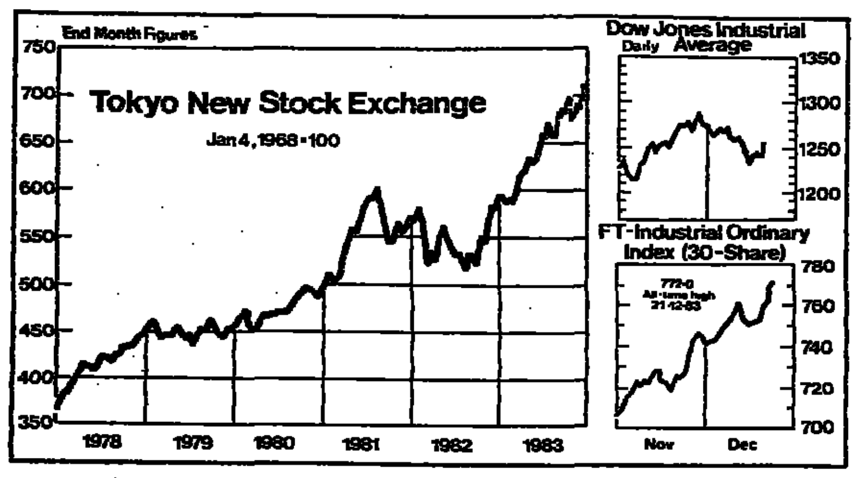
SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Thursday December 22 1983

Arbitration sought in cotton row, Page 28

KEY MARKET MONITORS



STOCK MARKET INDICES

	Dec 21	Previous	Year ago
NEW YORK			
DJ Industrials	1254.98	1241.97	1030.26
DJ Transport	596.79	591.09	439.52
DJ Utilities	131.17	130.78	117.02
S&P Composite	163.56	162.00	138.61
LONDON			
FT Ind Ord	772.00	769.80	593.40
FT-A All-share	468.05	464.87	380.41
FT-A 500	499.30	496.66	420.34
FT-A Ind	460.75	459.70	394.61
FT Gold mines	580.10	570.10	529.70
FT Govt secs	82.93	82.70	80.11
TOKYO			
Nikkei-Dow	9717.65	9627.93	7810.15
Tokyo SE	712.27	708.53	576.88
AUSTRALIA			
All Ord.	758.10	757.60	467.80
Metals & Mins.	546.30	546.40	389.40
AUSTRIA			
Credit Aktien	55.78	55.91	49.50
BELGIUM			
Belgian SE	135.18	134.79	98.89
CANADA			
Toronto Composite	2537.77	2511.60	1864.30
Montreal Industrials	442.99	437.59	315.03
Combined	425.42	421.63	311.10
DENMARK			
Copenhagen SE	204.44	202.23	94.98
FRANCE			
CAC Gen	149.70	149.20	99.40
Ind. Tendance	160.50	159.90	118.30
WEST GERMANY			
FAZ-Aktien	346.23	345.25	247.85
Commerzbank	1024.90	1021.20	747.90
HONG KONG			
Hang Seng	857.56	858.53	753.16
ITALY			
Banca Comm.	189.65	189.54	165.20
NETHERLANDS			
ANP-CBS Gen	148.40	147.60	97.80
ANP-CBS Ind	122.80	123.20	82.50
NORWAY			
Oslo SE	214.86	213.38	95.26
SINGAPORE			
Straits Times	981.83	985.74	727.54
SOUTH AFRICA			
Golds	860.6	846.2	855.40
Industrials	941.6	937.1	726.90
SPAIN			
Madrid SE	118.14	118.26	99.29
SWEDEN			
J & P	1451.77	1449.25	883.35
SWITZERLAND			
Swiss Bank Ind	375.70	372.30	278.40
WORLD	Dec 20	Prev	Yr ago
Capital Int'l	179.20	178.70	150.90

GOLD (per ounce)

	Dec 21	Prev
London	$378.375	$377.875
Frankfurt	$378.75	$378.00
Zürich	$378.75	$378.25
Paris (fixing)	$378.65	$375.44
Luxembourg (fixing)	$378.55	$375.25
New York (Dec)	$377.80	$379.40

* Latest pre-close figure; † Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Dec 21	Previous	STERLING Dec 21	Previous
$	–	–	1.4225	1.419
DM	2.7715	2.766	3.9450	3.9275
Yen	234.90	234.7	334.25	333.25
FFr	8.4600	8.4475	12.03	11.985
SwFr	2.2140	2.205	[illegible]	3.13
Guilder	3.1150	3.108	4.4325	4.4125
Lira	1681.50	1679.0	2391.0	2382.0
BFr	56.46	56.37	80.35	80.0
C$	1.24750	1.24875	1.7770	1.7715

INTEREST RATES

	Dec 21	Prev
Euro-currencies (offered rate)		
£	9⅛	9⅛
SwFr	4 7/16	4⅜
DM	6 9/16	6 5/16
FFr	12⅜	14
FT London Interbank fixing (offered rate)		
3-month U.S.$	10⅛	10 7/16
6-month U.S.$	10½	10⅝
U.S. Fed Funds	9 9/16†	9⅜
U.S. 3-month CDs	9.80	10
U.S. 3-month T-bills	8.99†	9.02

U.S. BONDS

Treasury	Dec 21 Price	Yield	Prev Price	Yield
10½ 1985	99 19/32	10.78	99 17/32	10.80
11⅞ 1990	98 13/32	11.75	98 7/32	11.80
11.75 1993	99 25/32	11.80	99 14/32	11.86
12 2013	100 25/32	11.89	100 11/32	11.95
Corporate	**Dec 21**		**Prev**	
AT&T	Price	Yield	Price	Yield
10⅜ June 1990	92⅞*	12.00*	92⅞	12.00
3⅞ July 1990	67.432*	11.00*	67.432	11.00
8⅜ May 2000	75⅞*	12.20*	75⅞	12.20
Xerox				
10⅞ March 1993	91⅞*	12.20*	91⅞	12.20
Diamond Shamrock				
10⅞ May 1993	89⅞*	12.50*	89⅞	12.50
Federated Dept Stores				
10⅞ May 2013	85⅞*	12.45*	85⅞	12.45
Abbot Lab				
11.80 Feb 2013	94.90*	12.45*	94.90	12.45
Alcoa				
12⅞ Dec 2012	94.724*	12.95*	94.724	12.95

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	69-21	69-29	69-16	69-14
U.S. Treasury Bills (IMM) $1m points of 100%				
December	91.03	91.13	91.02	91.03
Certificates of Deposit (IMM) $1m points of 100%				
December	90.11	90.18	90.10	90.13
LONDON				
Three-month Eurodollar $1m points of 100%				
March	89.74	89.74	89.55	89.61
20-year Notional Gilt £50,000 32nds of 100%				
December	109-24	109-27	109-05	109-07

COMMODITIES

(London)	Dec. 21	Prev
Silver (spot fixing)	618.20p	608.90p
Copper (cash)	£918.00	£978.50
Coffee (Jan)	£2013.50	£2039.00
Oil (spot Arabian light)	$28.12	$28.12

WALL STREET

GNP growth forecast raises hopes

The year-end rally moved into full stride on Wall Street yesterday when the Commerce Department, in its "flash" forecast for the final quarter of the year, predicted a lower rate of growth in U.S. gross national product than the bond market had been expecting, *writes Terry Byland in New York.*

The announcement, which was quickly followed by optimistic comments from Mr Donald Regan, the Treasury Secretary, brought a rapid recovery in bond prices from the falls suffered late on Tuesday, on disappointment with the terms of the Treasury's $15bn refunding programme, to be put into effect next week.

The market's own optimism also showed itself in a sharp jump in leading stocks in the early part of the session.

The advance slackened at midsession, but the market was led forward again in the final hour of trading when there was renewed support for leading stocks. The Dow Jones industrial average ended 13.01 higher at 1254.98, with turnover showing a significant increase at 107m shares.

The Commerce Department's forecast was regarded on Wall Street as a welcome indication that the economic recovery is proceeding at a more restrained rate, and is thus less likely to provoke intervention by the Federal Reserve to tighten credit policies.

Also steadying sentiment was news that consumer prices rose by only 0.3 per cent last month, a further sign that inflationary pressures are less fierce than has been thought.

Among those to lead the stock market ahead were IBM $1⅞ up at $123⅝; General Motors $½ better at $74; Honeywell $2 ahead at $137¾; and General Electric up $1¼ to $57⅝.

Widespread gains were again achieved among the airline issues, with AMR, parent of American Airlines, up $⅞ at $37¾ and UAL (United Airlines) $⅞ higher at $37⅞. The Dow Jones transportation average was also boosted by gains in rail issues.

A recommendation for oil shares by a major brokerage house – which believes the sector has been left behind because of the doubts over oil prices – brought a gain of $¼ to $37⅛ in Exxon, and $2¼ to $42 in Atlantic Richfield.

Among the most active stocks was MGM-UA which slipped $⅝ to $14⅝ on turnover well above 1m shares as stockholders took the view that no counterbid to Mr Kirk Kerkorian's terms would be forthcoming and sold their stock to arbitrageurs who will "warehouse" it until the bid is finalised.

K-mart. $⅛ higher at $33, responded vigorously to the reports of excellent Christmas trading. But other retailers had a subdued session.

Sony, the Japanese electrical products manufacturer, added $½ to $15⅞, taking its lead from the strong rally in the Tokyo stock market.

Other firm features included American Express at $31⅝, still recovering poise after the recent warning on this year's earnings prospects.

Among the home computer manufacturers, Coleco Industries, fell $4⅝ to $18½ as doubts over the sales progress of the group's new Adam computer strengthened after J. C. Penney, the store group, said that it had removed the Adam from its list.

In the credit markets, yields slipped lower following the GNP forecast from the Commerce Department. Trading was not heavy but dealers saw some retail buyers for a change.

The traditional weekly make-up day operations at the banks kept the Federal funds rate high at first, but it eased to 9⅝ per cent later after minor help by the Federal Reserve in the form of bill purchases.

The three-month Treasury bills were at a discount of 8.94 per cent against 9.02 per cent overnight, and the six-month at 9.17 per cent against 9.24 per cent.

At the longer end, where inflationary expectations have been a significant factor recently, yields shed seven to 10 basis points. The key long bond traded at 100 27/32 from 100 5/32 overnight, and yielded 11.90 per cent.

In the municipal bond market, prices added around half a point after a major underwriter suspended trading in Guam development bonds pending discussions with the U.S. Treasury regarding an apparent change of official policy on the tax-exempt status of territories classed as associated with the U.S., but not as states of the union.

Suspension of the Guam loan puts $850m back into the market, and this figure could rise to $1bn if other similar loans are suspended. Some of this cash found its way into other municipals, lifting the interstate power agency bonds to 98, against 97¼ on Tuesday.

TOKYO

Foreigners arrive in force

A BROADLY BASED surge in prices of chemical, textile, shipbuilding and big-capital steel stocks, triggered by heavy foreign buying of large-capital issues generally, sent Tokyo soaring to a second successive peak yesterday, but the spiralling prices alarmed some investors, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average added 89.72 to finish at 9,717.65, above the 9,700 level for the first time. Volume, a record 740.59m shares against Tuesday's 500.25m, was the largest since 721m shares were traded on February 2.

Heavy foreign institutional buying was identified in medium and low-priced big-capital issues. Foreign buying in the morning session amounted to 55m shares, compared with foreign selling of 28m, according to Daiwa Securities.

Buying on hopes of year-end rises was thus further spurred by heavy foreign purchases. Foreigners showed a particular interest in Mitsubishi Heavy Industries, which climbed Y9 to Y272.

Other big-capital issues rising sharply were Sumitomo Chemical, up Y11 at Y205; Nippon Steel, up Y6 at Y170; Kawasaki Steel, up Y7 at Y180; and Nippon Kokan, up Y8 at Y146. Blocks of 1m shares were noted being bought from abroad.

The bond market had a firm trading session, helped by improved supply-demand conditions, more extensive dealings by financial institutions, especially city banks; and purchases by industrial corporations and financial institutions serving the agricultural and forestry sectors.

The yield on the benchmark 7.5 per cent long-term government bond, maturing in January 1993, hit a low of 7.4 per cent at one stage. The 7.5 per cent bond traded on the inter-broker market was also quoted at a low of 7.41 per cent, down from Tuesday's 7.435 per cent.

Trading in convertible bonds on the Tokyo Stock Exchange hit an all-time record high of Y92bn.

LONDON

Bank's view assists record run

A MILDLY OPTIMISTIC quarterly bulletin from the Bank of England, declaring that the UK economy is now among the world leaders, helped London equity markets to continue their record-breaking run yesterday.

The Middle East bid of up to 395p per share for a stake in Kleinwort Benson prompted it to jump 53p to 420p and sparked off a further wave of speculative activity in the merchant bank sector.

Blue chip industrials moved narrowly in thin trading, but the FT Industrial Ordinary index closed 2.2 up at a peak 772.0.

Government securities had late gains in the longs extending to ½ while shorter maturities closed marginally higher.

Details, Page 23; Share information service, Pages 24–25

AUSTRALIA

THE FIRMER world bullion price helped to revive gold stocks in Sydney, and industrial issues also edged ahead, allowing the All Ordinaries index to close 0.2 firmer at 758.1.

However, the latest round of local bank prime rate cuts failed to inspire investors, whose focus remained on U.S. interest rates and their impact on metal prices.

HONG KONG

LEADING STOCKS were mixed at the end of the regular half-day trading session in Hong Kong and the Hang Seng index suffered a 0.97 setback to 857.56. Business continued to be thin.

Among leaders, Cheung Kong added HK$1.05 to HK$7.05, while Hongkong Bank put on 5 cents to HK$7. Hongkong Land fell 3 cents to HK$2.82.

Hutchison Whampoa and Jardine Matheson each shed 20 cents to HK$14.10 and HK$10.90 respectively.

SINGAPORE

PROFIT-TAKING and a lack of fresh buying left shares easier for the third consecutive day in Singapore. The Straits Times industrial index dipped 3.91 to 981.83.

The plantation sector proved an exception to the trend, led by K.L. Kepong, which added 2 cents to S$3.12 after announcing higher sales and after-tax profits for the year to September 30.

SOUTH AFRICA

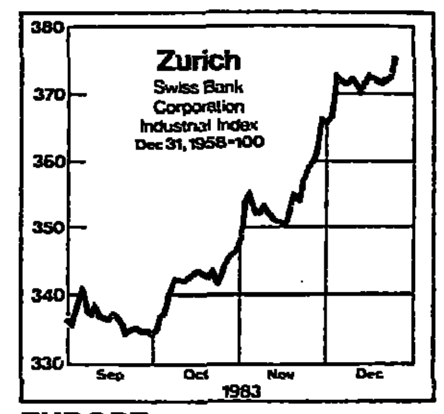
A REVIVAL in Johannesburg gold shares was followed immediately by profit-taking, to leave prices well off their highs for the day, with trading quiet and institutional involvement said to be minimal.

Of the mining houses, Anglo-American managed a 20 cent gain at R19.50 and Gold Fields advanced SA 50 cents to R24.75. De Beers firmed 5 cents to R9.

CANADA

AN EARLY setback in **Toronto** was swiftly corrected as oil and gas issues joined golds in providing a strong showing. Base metals and the industrial side were more muted.

By contrast, **Montreal** industrials were to the fore, followed by the utilities sector, but selling was evident among the major quoted banks and the papers group.



EUROPE

Tidying up uncovers bargains

STRONG PERFORMANCES were recorded in many European centres yesterday as investors tidied their operations for the year and looked forward with optimism to signs of an economic upturn in 1984.

An active day's trading in **Zurich** took the industrial index up 3.4 to 375.7 – a high for the year. The chemicals and general indices were also at peaks.

Heavy demand sent Oerlikon-Bührle up SwFr 40 to SwFr 1,280, and it led the bourse higher. The buyers were said to be private banks in Geneva whose interest was whetted by the market view that the company's arms order inflow was better than expected.

Bond prices continued to advance slightly in moderate activity.

Continued strong foreign demand for publishers was a feature of a mainly higher **Amsterdam.** Elsevier opened at a record high of Fl 496 and continued to advance to Fl 505 – Fl 13 up on the previous session. VNU added Fl 2 to Fl 125.30.

The bond market moved slightly lower.

Brussels remained firm, despite a drop in activity. Among holding companies, Groupe Bruxelles Lambert added BFr 15 to BFr 2,295 and Société Générale BFr 5 to BFr 1,680.

Banks were in particular demand in **Frankfurt.** Deutsche added DM 6.70 to DM 330.20, while Commerzbank and Dresdner each rose DM 3 to DM 167 and DM 170.50 respectively.

Among industrials, Thyssen rose DM 1.50 to DM 80

Bonds held steady and the Bundesbank sold DM 54.4m of paper to balance the market after Tuesday's DM 64.3m sales.

In Milan, AT&T's announcement that it had agreed in principle to buy around 25 per cent of Olivetti was met with enthusiasm. Olivetti, which at the lunchtime official close was down L39 on the day at L3,811, ahead of the announcement, was later quoted at L3,950 in after-hours trading. Elsewhere, shares were mixed following the previous session's rally.

Early sentiment in **Paris** was boosted by a cut to 12⅛ per cent in daily call money rate from 12½ per cent, but activity later subsided.

Thomson-CSF added FFr 6 to FFr 191 after an announcement by the Stockbrokers' Association that the state-owned Thomson-Brandt had increased its shareholding to more than 50 per cent from around 41 per cent.

Shares were steady in quiet **Madrid** trading. Commercial banks, which were out of favour on Tuesday, ended the day mixed.

In **Stockholm,** Pharmacea continued its advance, adding SKr 13 to SKr 323 as part of a broad recovery in the market.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17¾	6⅝	AAR	.44	2.6	21	125	16⅝	15⅞	16⅝	+⅛
52⅞	25¼	ACF	1.40	2.8	238	1293	50⅜	49⅞	50	−⅛
20⅝	18¼	AMCA	n			4	u20⅝	20¼	20⅝	+¼
18⅞	14¼	AMF	.50	3.1		635	16¼	15¾	16	+¼
39⅝	18½	AMR Cp			16	3822	37⅝	35⅞	37¼	+⅞
19½	15	AMR	pf2.18	12.		14	18¼	18⅛	18¼	+⅛
40¼	24⅝	AMR	pf2.13	5.5		161	39⅝	38	38½	+¼
16¼	3⅞	APL			22	20	15¼	15⅛	15¼	−⅛
55¼	33¼	ARA	2.05	4.0	11	196	51	50½	51	+½
75⅞	50¼	ASA	3a	5.4		267	55¼	54½	55¼	+½
33¼	14	AVX	s .32	1.2	42	7	27⅜	27	27⅜	+¾
53⅞	35¼	AbtLab	1	2.2	17	1718	46½	45⅝	45⅝	
30⅝	25¼	AccoW	n .60	2.1	20	5	28¼	28	28	
27½	16¼	AcmeC	.40	1.6	9		25⅛	25	25	−⅛
14⅞	7⅜	AcmeE	.32b	2.8	569	14	11⅜	11¼	11⅜	+⅛
24⅝	8⅞	AdmDg	.04	.2	15	77	20⅛	19¼	19½	−1⅛
18⅞	15	AdaEx	1.73e	9.7		45	17⅞	17½	17⅞	+⅛
19⅜	7⅞	AdmMl	.24	1.5	8	18	16½	16¼	16½	+¼
18⅝	8⅜	Advest	.12	1.0	7	178	12	11⅜	11⅝	+⅛
35½	12⅛	AMD	s		54	3760	33¼	31½	32⅛	−⅛
24⅝	13⅛	Aerflx	s		17	95	17⅛	16¾	17⅛	+⅛
40½	32⅞	AetnLf	2.64	7.4	9	2941	35¼	35	35¼	+½
65	55¼	AetL	pf5.05e	9.0		25	56½	55½	56⅜	+⅜
40½	27½	Ahmns	1.20	4.0	8	726	30¾	29½	30¼	+1¼
7⅛	2¾	Aileen				51	5¼	5	5⅛	+⅛
51	32	AirPrd	1	2.2	13	207	45¼	44⅜	44⅞	
30⅝	13⅜	AirbFrt	.60	2.1	23	341	29⅛	28⅛	29⅛	+⅛
2⅜	1½	AlMoa	s		23	787	2½	2⅜	2½	+⅛
32½	29⅛	AlaP	pfA3.92	13.		11	29¼	29¼	29¼	+¼
7⅜	6½	AlaP	dpf.87	13.		67	6⅞	6⅞	6⅞	−⅛
74½	65	AlaP	pf 9	14.		499	66	65⅜	65⅝	−⅛
70	60	AlaP	pf8.28	13.		z320	62½	61½	61½	−½
24½	15⅛	Alagsco	1.76	8.4	7	3	21	20⅞	20⅞	−⅛

Continued on Page 21

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 22

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 20

X-Y-Z

52⅞	35	Xerox	3	6.0	11	5415	51⅞	50⅛	50¼	-½
53⅝	48¼	Xerox	pf5.45	11		786	48⅝	48⅝	48⅝	
37	18½	XTRA		1.8	23	23	35¾	34⅝	34⅝	-⅜
34	20¾	ZaleCp	1.26	4.1	17	22	31¼	30⅝	30⅝	-¼
21⅞	14⅞	Zapata	.84	5.3	6	778	16⅛	15½	15⅝	+⅛
52¼	28⅛	Zayre	s.30	.7	13	683	41¼	40¾	40¼	-1
36	13⅞	ZenithR			40	748	34⅛	33½	34⅛	+⅞
25½	14⅜	Zero	s.32	1.3	23	31	25½	24⅝	25½	+⅝
37⅞	24¼	Zurnin	1.32	4.7	10	89	28½	28	28	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 21

CANADA

(Closing Prices) Stock	Dec 21	Varn.
AMCA Inc.	25¾	+ ⅛
Abitibi	25¼	+ ¼
Agnico Eagle	17⅛	− ⅛
Alberta Energy	17½	− ⅛
Alcan Alumn	47¾	+ ⅜
Algoma Steel	28⅝	+ ⅛
Asbestos	10¼	+ ⅛
Bk Montreal	27½	− ⅛
Bk Nova Scotia	44⅛	− ½
Bell Canada	33⅛	+ ⅞
Bombardier A	19	−
Bow Valley	25	− ⅜
B.P.Canada	−	−
Brascan A	38⅞	+ ½
Brinco	2.9	− 0.05
B. C. Forest	13¾	+ ⅞
CIL Inc	30	− ⅛
Cadillac Fairv.	10	+ ⅛
Can Cement	−	−
Can NW Energy	29⅞	+ ½
Can Packers	28	−
Can Trustco	45	+ ⅛
Can Imp Bank	30½	− ⅛
Canadian Pacific	50⅝	+ ⅜
Can. P. Ent.	24⅜	−
Can Tyre A	13	+ ⅛
Carling O'Kfe	21¼	−
Chieftain	15	− ⅛
Cominco	59⅞	+ ⅜
Cons Bathst A	28⅞	+ ⅛
Coseka Resources	3.7	−
Costain	9¼	−
Denison Mines	46⅝	+ ⅞
Dofasco	61⅞	− ⅛
Dome Mines	17⅛	+ ⅜
Dome Petroleum	4.2	+ 0.05
Dominion Strs.	19⅛	−
Domtar	30⅞	+ ⅛
Falconbridge	72	− 2
Genstar	30¾	+ ⅜
Giant Y'knife	23½	− ½
Gt West Life	−	−
Gulf Canada	16¾	+ ½
Hawk Sid Can	15½	+ ⅛
Hudson's Bay	24⅞	+ ⅜
Husky Oil	10¾	−
Imasco	35⅛	− ⅛
Imp Oil A	36¾	+ 1⅛
Inco	18⅞	+ 1⅛
Indal	12⅝	−
Interpr Pipe	34	+ 1⅜
LAC Minerals	−	−
Macmil Bloedel	29½	−
Marks & Spencer	15¼	− ⅛
Massey-Ferg	5⅞	−
McIntyre Mines	35½	− ⅜
Mitel	17⅝	+ ⅜
Moore Corp	53⅛	+ ⅜
Nat. Sea Prods A	7⅛	−
Noranda Mines	26⅞	+ ⅛

DENMARK

Dec. 21	Price Knr %	+ or −
Aarhus Olie	448	+15
Andelsbanken	309	+8
Baltica Skand	575	+7
CopHandelsbank	307	+7
D. Sukkerfab	666	−2
Danske Bank	337	+10
East Asiatic	165	+6
Forende Brygg	1,320	......
Forende Damp	189	+2
GNT Hldg	550	......
I.S.S.B.	700	......
Jyske Bank	662	+20
Novo Ind	2,885	−300
Privatbanken	317	+12
Provinsbanken	384	......
Smidth (Fl)	296	+6
Sophus Berend	1,000	+25
Superfos	514	−5

FRANCE

Dec. 21	Price Frs.	+ or −
Emprunt 4½% 1973	1,830	+9.5
Emprunt 7% 1973	9,598	+38
CNE 3%	3,095	−5
Air Liquide	510	+1
BIC	560xc	−20
Bouygues	690	+20
BSN Gervais	2,575	−15
CIT-Alcatel	1,345	+30
Carrefour	1,500	+10
Club Mediter'n	740	−2
CFAO	565	−3
Cie Bancaire	426.5	+6.5
Cofimeg	191.8	+2
Creusot Loire	48.1	−0.5
Darty	770	+2
Dumez	841	−17
Eaux (Cie Gen)	521	−5
Elf-Aquitaine	160.5	−1.5
Gen. Occidental	664	−5
Imetal	56.5	−0.8
Lafarge Coppee	279.5	+4.5
L'oreal	2,100	+19
Legrand	1,954	−1
Maisons Phenix	307	−14
Matra	1,250	+10
Michelin B	787	−1
Midi (Cie)	1,370	+20
Moet-Hennessy	1,376	+46
Moulinex	106	+0.1
Nord Est	48	+1
Pernod Ricard	745	+36
Perrier	436.5	+6.5
Petroles PB	157	−1
Peugeot-SA	200.2	−0.3
Poclain	53	−5
Printemps Au	131	−5.5
Radiotech	400	−14.5
Redoute	975	−14
Roussel-Uclaf	638	+14
Schneider	86.6	−0.4
Sefimeg	259	......
Skis Rossignol	1,380	+48

Indices

NEW YORK—DOW JONES

	Dec 21	Dec 20	Dec 19	Dec 16	Dec 15	Dec 14	1983 High	1983 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	1254.98	1241.87	1244.61	1242.17	1238.79	1246.65	1287.2 (29/11)	174.39 (11/8)	1287.2 (29/11/83)	41.22 (2/7/32)
Transport	596.79	591.69	598.9	590.15	585.76	594.26	612.57 (22/11)	434.24 (3/1)	612.57 (22/11/83)	12.23 (8/7/32)
Utilities	131.17	130.78	130.54	131.82	131.55	132.42	140.7 (31/10)	119.46 (3/1)	163.32 (20/4/69)	10.05 (28/4/42)
Trading vol 1000's†	10886	8374	7518	8103	8638	8542	−	−	−	−

	Dec 9	Dec 2	Nov 25	(Year Ago Approx)
Ind div yield %	4.47	4.45	4.48	5.31

STANDARD AND POORS

	Dec 21	Dec 20	Dec 19	Dec 16	Dec 15	Dec 14	1983 High	1983 Low	Since Compilat'n High	Since Compilat'n Low
Industrials	184.24	182.24	182.76	182.8	181.84	183.69	193.22 (22/6)	154.95 (3/1)	193.22 (22/6/83)	3.52 (30/6/32)
Composite	163.56	162.8	162.32	162.39	161.67	163.33	170.99 (22/6)	138.34 (3/1)	170.99 (22/6/83)	4.4 (1/6/32)

	Dec 14	Nov 30	Nov 23	Year Ago (Approx)
Ind div yield %	3.78	3.72	3.87	4.73
Ind. P/E Ratio	13.33	14.43	14.45	10.42
Long Gov Bond Yield	11.98	11.49	11.49	10.53

N.Y.S.E. ALL COMMON

Dec 21	Dec 20	Dec 19	Dec 16	1983 High	1983 Low
−	−	−	−	442.62 (6/5)	79.79 (24/1)

RISES AND FALLS

	Dec 21	Dec 20	Dec 19
Issues traded	2027	2046	2033
Rises	947	686	738
Falls	658	935	894
Unchanged	438	425	419

MONTREAL

	Dec 21	Dec 20	Dec 19	Dec 16	1983 High	1983 Low
Industrials	442.46	437.59	438.87	440.87	493.00 (5/5)	328.12 (4/1)
Combined	425.99	421.83	421.47	423.48	441.29 (26/9)	319.45 (5/1)
TORONTO Composite	2537.7	2511.5	2508.7	2508.7	2598.2 (26/9)	1948.8 (4/1)

U.S. INDICES: CLOSING VALUES. YESTERDAY'S CANADIAN INDICES: LATEST AVAILABLE

	Dec. 21	Dec. 20	Dec. 19	Dec. 16	1983 High	1983 Low
AUSTRALIA All Ord. (1/1/80)	758.1	757.9	755.7	756.9	758.1 (21/12)	487.2 (4/1)
Metals & Minls. (1/1/80)	548.3	545.4	544.9	549.2	614.2 (5/9)	411.6 (4/1)
AUSTRIA Credit Aktien (2/1/62)	55.78	55.91	55.39	54.82	59.8 (5/6)	48.48 (15/2)
BELGIUM Belgian SE (31/12/63)	155.16	154.78	154.46	153.87	155.16 (21/12)	100.50 (4/1)
DENMARK Copenhagen SE (3/1/83)	204.44	202.23	200.58	199.26	204.44 (21/12)	100.00 (3/1)
FRANCE CAC General (31/12/82)	149.7	149.2	149.1	148.8	151.9 (15/12)	96.1 (5/1)
Ind Tendance (31/12/82)	160.5	158.9	158.5	159.1	165.1 (15/12)	98.8 (5/1)
GERMANY FAZ-Aktien (31/12/58)	348.23	345.25	344.12	340.91	348.3 (2/12)	241.89 (25/1)
Commerzbank (1/12/53)	1024.9	1021.2	1018.5	1007.9	1031.5 (2/12)	727.9 (25/1)
HONG KONG Hang Seng Bank (31/7/64)	857.56	858.88	867.26	860.77	1102.64 (21/7)	690.06 (4/10)
ITALY Banca Comm Ital. (1972)	188.66	189.54	186.43	187.88	214.85 (21/3)	180.45 (10/1)
JAPAN** Nikkei-Dow (16/5/49)	9717.85	9627.85	9484.17	9539.61	9717.85 (21/12)	7803.18 (25/1)
Tokyo SE New (4/1/68)	712.27	708.55	701.22	705.82	712.27 (21/12)	574.51 (25/1)
NETHERLANDS ANP-CBS General (1970)	148.4	147.8	147.7	147.1	148.8 (13/12)	100.1 (4/1)
ANP-CBS Indust (1970)	122.8	123.2	122.7	121.5	123.2 (20/12)	86.5 (4/1)
NORWAY Oslo SE (4/1/83)	214.86	215.88	219.15	212.16	217.88 (10/10)	99.01 (4/1)
SINGAPORE Straits Times (1966)	981.88	985.74	982.51	985.49	989.82 (26/6)	717.92 (5/1)
SOUTH AFRICA Gold (1958)	(u)	949.2	954.7	(c)	1090.5 (1/2)	881.4 (1/11)
Industrial (1958)	(u)	937.9	956.6	(c)	968.7 (26/8)	704.3 (5/1)
SPAIN Madrid SE (31/12/82)	118.14	118.28	(c)	115.46	128.14 (18/11)	99.82 (11/1)
SWEDEN Jacobson & P. (1/1/58)	1451.77	1449.85	1446.64	1475.44	1528.88 (21/12)	886.18 (3/1)
SWITZERLAND SwissBankC pn. (31/12/58)	375.7	372.5	371.9	371.8	376.7 (12/10)	294.4 (4/1)
WORLD Capital Intl. (1/1/70)	−	179.2	178.7	179.0	186.9 (10/10)	154.3 (5/1)

(** Saturday December 10: Japan Nikkei-Dow (c); TSE (c).
Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

LONDON STOCK EXCHANGE

MARKET REPORT

Equities penetrate further into uncharted territory

Financials ablaze on bid speculation

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Jan 16	Jan 26	Jan 27	Feb 6
Dec 12	Dec 22	Dec 29	Jan 9
Dec 30	Jan 12	Jan 13	Jan 23

* "New-time" dealings may take place from 9.30 am two business days earlier.

A mildly optimistic quarterly bulletin from the Bank of England declaring that the UK economy is now among the world leaders helped London equity markets to continue their record-breaking run ahead of the Christmas holiday. Seasonal influences continued to limit the volume of business but a firm undertone was maintained throughout the session and one corner of the market escaping the inhibitions was the Financial sector. Government stocks, little changed for most of the day, perked up late to close on a firm note on interest rate hopes.

The early announcement that a Middle East consortium was bidding up to 395p per share for up to 10 per cent of Kleinwort Benson prompted a jump of 53 in the latter's share price to 420p and sparked off a further wave of speculative activity in the financial sector generally.

Old bid favourites such as Hill Samuel and Schroders were particularly favoured, while Discount Houses were also caught up in the buoyancy. Royal Bank of Scotland, up sharply on Tuesday following the announcement that Lloyds Bank had increased its stake in the group to 21.3 per cent, moved up further on increasing hopes of a full-scale offer; Bank of Scotland rose in sympathy.

Blue chip industrials moved narrowly in thin trading but, with the benefit of a strong start on Wall Street yesterday, the Financial Times Industrial Ordinary share index closed at its best of the day with a rise of 2.2 for an advance over the last six trading sessions of 21.4 to a new all-time peak of 772.0.

U.S. Treasury Secretary Donald Regan's reported prediction that U.S. interest rates should decline next year helped to revive flagging Government securities. Earlier, quotations had generally held overnight levels although some longer-dated stocks had ventured ⅛ higher in sympathy with sterling's improvement yesterday. After Mr Regan's remarks and firmer advices from Wall Street, gains in the longs were extended to ½, while shorter maturities closed marginally higher. The FT Government Securities index improved 0.23 more to 82.93, which compares with the year's high of 83.70 attained on November 11.

Kleinwort Benson jump

Financials held the limelight throughout the session. All sectors displayed sharp gains with Royal Bank of Scotland rising 20 to 222p, after 228p, on hopes that Lloyds Bank would increase its recently-purchased stake. Bank of Scotland moved up 30 to 725p in sympathy. Speculation among Merchant banks was intense with Hill Samuel up 16 at 328p, Schroders 50 higher at 790p and the recently-merged Charterhouse J. Rothschild 10 dearer at 115p; the Warrants of the last-named jumped 9 to 50p. Hambros put on 10 to 150p, after 156p, and Grindlays 8 more to 163p. Discount Houses revived, too, and Alexanders advanced 25 to 340p, while Cater Allen rose 20 to 425p and Smith St Aubyn 5 to 50p.

The Takeover Panel statement on the Eagle Star situation had no affect on the latter's share price which closed 8 up at 730p. Elsewhere in Insurances, Brokers rallied after Tuesday's easiness on Minet's latest results; Minet recovered 3 to 141p, Stewart Wrightson 7 to 290p and C. E. Heath 6 to 324p.

Henara made a surprisingly disappointing market debut; the shares, oversubscribed at the offer-for-sale price of 95p, opened at 97p and slipped to 92p on stag selling before closing at 96p. The debut of Synterials in the Unlisted Securities Market was also uninspiring; after opening at 85p, well below the subscription price of 100p, the shares found a little support and settled at 90p.

Grand Metropolitan became volatile awaiting today's preliminary results; easier from the outset and down to 341p at one stage, the shares responded to after-hours support and settled only 3 cheaper on balance at 345p. Regionals were irregular. Hopes of further overtures from the Virani Group, which currently controls around 24 per cent of the equity, lifted Belhaven 3 to 33p, but Wolverhampton and Dudley remained on offer and fell 4 to a 1983 low of 218p.

Concern about Belfast-based White Mountains Quarries' plan to import West German cement into London early next year unsettled cement issues in the early trade, but most quotations picked up to close above the worst. Blue Circle, down to 415p initially, settled only 5 cheaper on balance at 420p, while RMC finished a couple of pence off at 390p, after 388p and Rugby Portland Cement recovered an early fall of a penny to close ½ dearer on balance at 95½. Elsewhere in the Building sector, John Mowlem found support following a broker's recommendation and put on 14 to 202p, while the resumption of interim dividend payments and the reference to the company's current strong trading position lifted British Dredging 12 to a high for the year of 60p.

ICI, a shade easier for most of the session, picked up on renewed U.S. demand and closed a couple of pence dearer on balance at 648p. Laporte also attracted late interest and firmed 2 to a 1983 peak of 340p, after 332p. Coates Brothers gained 8 to 92p and the A 5 to 82p following the acquisition of the Colonial Printing Ink divisions of Millmaster of the U.S. for £?.1m cash. Against the trend, scattered selling clipped 3 from Croda International to 92p.

Frasers good again

Activity among major Retailers was almost entirely centred on House of Fraser which, having been a firm market earlier in the week on talks of a share stake changing hands, attracted fresh support and advanced to 244p before closing a net 12 dearer at 242p following escalating speculation that Lonrho is prepared to listen to offers for its near-30 per cent holding; Lonrho gained the turn to 108p. Elsewhere in the leaders, Gussies A rose 5 to a 1983 high of 623p. Jewellers responded to sporadic seasonal demand with gains of around 3 common to Ratners, 42p, James Walker A, 60p, and H. Samuel A, 134p.

Shoes were firmer under the lead of Strong and Fisher which advanced 7 to 85p in front of today's annual meeting. Increased optimism surrounding the Rhinotherm medical equipment subsidiary lifted FII 5 more at 181p.

Features in Electricals were confined to secondary issues. Further consideration of the interim results left Real Time Control down 16 at 212p, while Petbow, reflecting the bigger half-year loss, fell to 39p before settling 5 cheaper on the day at 41p. In contrast, Oxford Instruments responded to news of the joint Japanese venture with Furukawa Electric by rising 17 to 305p. AB Electronic revived with a gain of 20 to 390p, while United Scientific rallied 7 further to 330p. Unitech closed similarly higher at 237p and BSR edged up a couple of pence to a peak for the year of 195p. Renewed demand left Electronic Machine up 4 further at 62p.

Leading Engineers passed a relatively lively session, although quotations ended little changed. Vickers, still reflecting the Rolls-Royce Diesels sale, improved 3 more to 130p. Elsewhere, Simon featured with a further gain of 15 to 387p. Quite a good turnover developed in IMI, a shade better at 66½p, while James Austen Steel hardened a penny to 38p on the return to profitable trading at the half-way mark. Occasional demand left Weir Group 1½ dearer at 26p and Davy Corporation 2 firmer at 48p.

One or two leading Foods took the previous day's useful gains a modest stage further, but most hovered around overnight levels or ended a shade lower in the absence of follow-through support. Cadbury Schweppes, up 8 on Tuesday, touched 119p before closing a penny dearer on balance at 118p, but Rowntree Mackintosh held at 222p and Ranks Hovis McDougall finished a penny off at 77p. Unigate eased to 114p before settling a penny cheaper on balance at 116p, but Northern Foods found support and hardened 4 to 186p. Elsewhere, Needlers continued to reflect takeover hopes and firmed 2 more to 64p.

Bowater firm

Leading Miscellaneous Industrials moved narrowly either way with Bowater the best performer at 255p, up 5. BOC International, in contrast, eased 4 to 282p. Recovery hopes stimulated support of Turner and Newall, 4 better at 74p, while a broker's "buy" advice lifted Granada "A" 10 to 188p. Sporadic institutional demand coupled with other interest raised S. Pearson 7 to 395p. Smiths Industries continued to be popular and rose 8 to 478p, while British Aerospace moved up 4 to 225p following news of the Swiss computer contract.

Lesser-known stocks presented fresh features which included Halma, up 8 more at 148p in further response to impressive first-half results. Low and Bonar gained 6 to 140p, but Highgate Optical fell 6 to 73p on the heavier mid-term loss. Lower interim profits brought Sterling Industries back sharply to 103p, down 13, while Nolton, at 50p, shed 10 of Tuesday's jump of 20½. Polly Peck turned reactionary after the share split and £5m share placing proposals to close ¼ cheaper at £27½, after £28½; the associated Cornell slipped 7 to 228p. Kelsey Industries gave up 5 late to 195p following the annual results.

Anglia TV "A" firmed 4 to a 1983 peak of 149p; the preliminary results are due on January 18. The acquisition of Mackworth Billiards (Wales) and Billiards and Snooker (Wales) for £1.14m left Riley Leisure 5 lower at 144p, but speculative support lifted Joseph Webb 2½ to 20p.

Truck manufacturers E.R.F. advanced 5 to 48p following the interim profits recovery—the first time that the company has been in the black at the mid-term since 1979. Elsewhere in selectively firm Motor sectors, Lucas continued to respond to scattered investment interest and added 3 at 170p, after 171p, while a newsletter recommendation stimulated call option activity in AE which rose 3 to a 1983 high of 67p. Firm spots in Distributors included Lex Service, 9 better at 380p, and British Car Auction, 7 dearer at 229p.

Selected Properties attracted revived institutional demand and MEPC were prominent at 265p, up 11 with Land Securities rising 8 to 266p. Elsewhere, Clarke Nickolls put on 3 for a three-day gain of 12 to a peak of 137p. Trust Securities, at 56p, regained the previous day's fall of 4 that stemmed from the poor half-year figures and estimated loss for the year of £7.1m.

Textiles featured revived speculative activity in Harold Ingram which spurted 40 to 260p in a restricted market. A generally guarded Press reaction to the interim statement clipped a couple of pence from Stoddard "A" at 15p.

Trusts closed with fairly widespread gains. Among Financials, Robert Kitchen Taylor touched 188p on the increased annual profits before settling only a penny firmer on balance at 181p. Centreway improved 5 more to 240p and Hambro Trust ended a like amount higher at 125p.

Oil shares, a particularly subdued area for some time, staged a welcome rally. Shell advanced 11 to 559p and similar gains were recorded in Britoil, 192p, and Tricentrol, 181p. BP put on 7 to 395p, while Ultramar closed 16 to the good at 613p. Sovereign closed 15 up at 215p following the announcement of a credit agreement with the Canadian Imperial Bank to finance the purchase of a 0.5 per cent interest in the Forties Field; the company also announced yesterday the abandonment of drilling on well 2/10A-6. Premier responded to news of an oil strike with a gain of 4 to 48p, after 50p.

Plantations held steady-to-firm. Kuala Lumpur Kepong added 3 at 102p following the full-year results. Malakoff hardened a like amount to 119p, while Inch Kenneth closed 10 to the good at 413p. Harrisons Malaysian stayed at 158p, the lower interim profits being balanced by the optimism on second-half trading. Among Teas, Moran were again excited by the Arthur Bartfield Group's 10 per cent stake and improved 15 for a two-day gain of 25 at 380p.

Golds up again

South African Golds extended their recent recovery movement to a third day following another firm performance by both bullion and gold shares in overnight U.S. markets.

Activity in London remained at a low level but sporadic local and Johannesburg buying interest and continuing stock shortage prompted widespread gains throughout the list although closing levels were generally below the day's best.

Bullion closed a net 50 cents higher at $378.375 an ounce while the Gold Mines index advanced 10.0 for a three-day gain of 22.1 to 580.1.

The recent dividends announced by the mines in the "Johnnies" continued to encourage support for Randfontein, ⅜ firmer at £97¾, Elsburg, 7 to the good at 253p, and Western Areas, another 10 better at 397p, while President Brand rose £1⅛ to £28 and President Steyn £1¼ to £31⅜ following encouraging annual statements.

Elsewhere in the sector, St Helena were prominent with a £1¼ improvement at £24¼ while Unisel rose 34 to 985p.

South African Financials gained ground across a broad front—Anglo American Corporation rose ½ to £15¼, De Beers 6 to 518p, Gencor ½ to £16¼, and "Johnnies" ½ to £77½—but London issues drifted lower in quiet trading.

The renewed strength in Golds stimulated support for Platinums in which rises of around 20 were seen in Impala, 930p, and Rustenburg, 760p.

Golds provided outstanding features in otherwise dull Australians. Whim Creek raced ahead to close 14 stronger at 188p and Kitchener jumped 8 to 80p. Peko-Wallsend were a lone firm spot among the leaders in moving up 14 to 370p.

Elsewhere, Tanjong Tin responded to heavy speculative buying and jumped 68 to 213p while the South African antimony/gold producer Consolidated Murchison rose 30 to a 1983 high of 750p on continued persistent support from Johannesburg.

After a relatively subdued morning session, demand for Traded Options improved sharply during the afternoon and total contracts struck amounted to 3,283. GKN were again to the fore with 483 calls transacted, 260 in the December 175's and 208 in the March 180's. Notable premium gains were generally restricted to Oils. BP January 390 calls rose 6 to 18p, while Lasmo February 260 calls advanced 13 to 30p, with the 280 calls 7 better at 17p. GEC attracted 311 puts with 150 done in the January 200's.

FINANCIAL TIMES STOCK INDICES

	Dec. 21	Dec. 20	Dec. 19	Dec. 16	Dec. 15	Dec. 14	A year ago
Government Secs	82.93	82.70	82.64	82.34	82.26	82.30	80.11
Fixed Interest	86.05	85.96	85.95	85.86	85.81	85.85	81.45
Industrial Ord.	772.0	769.8	762.1	759.3	752.8	751.1	593.4
Gold Mines	580.1	570.1	558.2	558.0	570.5	577.5	529.7
Ord. Div. Yield	4.59	4.59	4.62	4.63	4.66	4.66	5.06
Earnings, Yld.% (full)	9.35	9.37	9.43	9.45	9.51	9.53	10.91
P/E Ratio (net)	13.05	13.03	12.94	12.92	12.83	12.81	11.00
Total bargains	20,009	21,120	19,280	22,411	19,888	19,983	15,534
Equity turnover £m.	—	211.59	170.58	235.96	255.88	189.00	189.7
Equity bargains	—	15,648	16,084	15,347	16,430	15,415	13,018
Shares traded (ml)	—	136.3	134.5	144.9	150.0	109.7	104.1

10 am 769.1. 11 am 770.7. Noon 770.9. 1 pm 770.7. 2 pm 770.5. 3 pm 770.7.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

Nil=12.26.

HIGHS AND LOWS

	1983 High	1983 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.70 (11/11)	77.00 (24/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	86.41 (7/12)	79.03 (10/4)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	772.0 (21/12)	598.4 (12/1)	772.0 (21/12/83)	49.4 (26/6/40)
Gold Mines	734.7 (15/2)	444.5 (1/11)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Dec. 20	Dec. 19
—Daily Gilt Edged Bargains	138.7	160.8
Equities Bargains	101.4	104.2
Value	427.7	345.0
5-day Avrge Gilt Edged Bargains	162.2	157.2
Equities Bargains	102.3	103.6
Value	425.7	447.2

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Dec 19	Jan 6	Mar 22	April 2
Jan 9	Jan 20	April 2	April 16
Jan 23	Feb 3	April 26	May 8

For rate indications see end of Share Information Service.

Call options were transacted in Metal Sciences, Yelverton, Polly Peck, London and Liverpool, Fleet Holdings, Celtic Haven, Audiotronic, BSR, Ramar Textile, Brunswick Oil, UKO, Amber Day, Five Oaks Investments, Sound Diffusion, AE, Whitbread "A" and Delta. No puts were reported, but doubles were taken out in Turner and Newall and Gestetner "A".

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	80	1	20
Corpns. Dom. & Foreign Bonds	12	—	64
Industrials	250	177	944
Financial & Prop.	244	33	242
Oils	29	18	71
Plantations	6	4	10
Mines	58	22	88
Others	80	70	57
Totals	769	326	1,496

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Blue Circle	420	−5
British Dredging	60	+12
Charterhouse Roth.	115	+10
Distillers	230	+3
Grand Metropolitan	345	−3
Hambros	150	+10
House of Fraser	242	+12
Kleinwort Benson	420	+53
Oxford Instruments	305	+17
Premier Consolidated	48	+4
Royal Bank of Scotland	222	+20
Simon Engineering	387	+15

TUESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Tues. close	Day's change
Royal Bk. Scot.	28	202	+29
Saxon Oil	15	24½	+15
BAT Industries	14	168	+10
Shell Transport	13	548	+10
Bio-Isolates	12	52	−10
Brit. Aerospace	11	221	+4
Imperial Group	11	497	+12
Eagle Star	11	722	+6
Lucas Indust.	11	167	+4
Vickers	11	127	+4
Westland	11	159	+7
Beecham	10	323	+3
Bowater	10	250	−3
Glaxo	10	715	—

NEW HIGHS AND LOWS FOR 1983

NEW HIGHS (150)

BRITISH FUNDS (2)
AMERICANS (3)
CANADIANS (2)
BANKS (12)
BUILDINGS (2)
CHEMICALS (4)
STORES (5)
ELECTRICALS (6)
ENGINEERING (5)
FOODS (6)
INDUSTRIALS (53)
INSURANCE (4)
LEISURE (1)
MOTORS (2)
NEWSPAPERS (2)
PAPER (3)
PROPERTY (6)
SHOES (1)
TOBACCOS (1)
TRUSTS (62)
OILS (1)
PLANTATIONS (1)
MINES (3)

NEW LOWS (8)

BREWERS (2)
Boddingtons Wolverhampton Dudley
BUILDINGS (2)
Crouch Group Johnstone's Paints
STORES (1)
Wigfall (Henry)
INDUSTRIALS (1)
Burco Dean
TEXTILES (1)
Nova (Jersey) Knit
MINES (1)
Anglo Utd. Dev.

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section. Wed Dec 21 1983: Index No.; Day's Change %; Est. Earnings Yield % (Max.); Gross Div. Yield % (ACT at 30%); Est. P/E Ratio (Net); Tues Dec 20 Index No.; Mon Dec 19 Index No.; Fri Dec 16 Index No.; Thur Dec 15 Index No.; Year ago (approx) Index No.

12 Mechanical Engineering (59)
13 Metals and Metal Forming (9)
16 Motors (17)
21 Other Industrial Materials (16)
21 CONSUMER GROUP (197)
22 Brewers and Distillers (23)
25 Food Manufacturing (22)
26 Food Retailing (13)
27 Health and Household Products (9)
29 Leisure (25)
32 Newspapers, Publishing (13)
33 Packaging and Paper (14)
34 Stores (47)
35 Textiles (20)
36 Tobaccos (3)
39 Other Consumer (8)
41 OTHER GROUPS (84)
42 Chemicals (16)
44 Office Equipment (6)
45 Shipping and Transport (14)
46 Miscellaneous (48)
49 INDUSTRIAL GROUP (484)
51 Oils (16)
59 500 SHARE INDEX
61 FINANCIAL GROUP (124)
62 Banks (6)
65 Discount Houses (8)
66 Insurance (Life) (9)
67 Insurance (Composite) (10)
68 Insurance Brokers (7)
69 Merchant Banks (12)
70 Property (54)
71 Other Financial (18)
71 Investment Trusts (107)
81 Mining Finance (4)
91 Overseas Traders (15)
99 ALL-SHARE INDEX (750)

FIXED INTEREST

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

"RIGHTS" OFFERS

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 14,784

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Dec. 21. Total Contracts 3,283. Calls 2,059. Puts 1,224
* Underlying security price

FT LONDON SHARE INFORMATION SERVICE

BRITISH FUNDS

1983 High	Low	Stock	Price £	+ or −	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101¼	99½	Exch. 11¼pc 1984	100½	−½	11.22	9.30
104¾	100⅞	Exchequer 14pc. 1984	101⅞	......	13.74	9.34
97¼	92½	Exch. 3pc 1984	97⅜	......	3.08	9.09
102⅞	100⅞	Treasury 12pc 1984	101⅞	......	11.79	9.36
107⅞	104⅞	Treasury 15pc 1985	105⅛	......	14.27	10.12
107	101⅛	Exch. 12pc Cnv. '85	102⅜	+⅛	11.73	9.95
94	88⅝	Treasury 3pc 1985	93⅞	+⅛	3.20	7.70
102½	99¾	Treasury 11½pc 1985	102⅛xd	......	11.27	10.08
102	95	Treas 8¾pcCnv '85	98¼	......	8.91	9.84
103¾	100⅝	Exch. 12¼pc 1985	103⅛	......	11.89	10.41
102¾	99⅞	Exch. 11¾pc '86	102⅛	......	11.51	10.61
102¼	97⅛	Treas 10pc Cnv 1986	100⅞	+⅛	9.92	9.53
89⅛	85⅝	Treasury 3pc 1986	89⅛	+⅛	3.37	8.08
101⅞	97⅞	Exch. 10½pc Cv '86	100¼	+⅛	10.43	10.13
103⅞	100⅛	Treasury 12pc '86	102⅞	+⅛	11.69	10.72
97⅛	94⅛	Treasury 8½pc '84-86‡‡	97½xd	+⅛	8.72	9.64
114	103⅝	Treas. 12¼pc '86 Cnv.	109¼xd	......	11.24	8.19
109⅞	105⅞	Exch. 14pc 1986	107½	+⅛	13.03	10.83
84⅞	84½	Exch 2½pc 1986 ●	84⅞	......	2.94	8.46
107⅛	103⅜	Exch. 13¼pc 1987	106⅛xd	+⅛	12.50	10.90
100⅞	95⅞	Treas 10¼pc Cnv '87	98⅞	+⅛	10.37	10.64
84⅛	80¼	Exchequer 2½pc 1987	83⅝	+⅛	2.99	8.49
100⅛	95⅞	Exch. 10½pc 1987	99⅛	+⅛	10.59	10.79
93¼	88⅛	Funding 6½pc '85-87‡‡	91⅞	+⅛	7.10	9.49
98⅞	96	Treas 10pc 1987	97⅞	+⅛	10.23	10.74
86	80¼	Treasury 3pc 1987	83½xd	+⅛	3.59	8.51
104⅝	99⅞	Treas 12pc 1987	103⅞	+⅛	11.63	10.94
93¼	89⅛	Treasury 7¾pc '85-88‡‡	93xd	+⅛	8.33	9.88
101½	95½	Exch 10½pc '88	99⅛	+⅛	10.60	10.74
98⅜	95⅞	Treas 9¾pc Conv '88	97	+⅛	10.06	10.60
81½	75¼	Transport 3pc '78-88	80¼xd	+⅛	3.72	8.27
96⅜	90¼	Treas. 9½pc '88	95⅛	+⅛	10.00	10.82

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

LOANS—continued

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, H.P. & LEASING

[illegible]

BANKS—Continued

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—continued

Australians

[illegible]

Tins

[illegible]

Miscellaneous

1983 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
170	18	Admiral Mines	20	......	—	—	—
90	34	♥Anglo-Dominion	60	......	—	—	—
93	53	♥Anglo Utd. Dev.	53	−2	—	—	—
400	180	Centennial Minerals	210	+30	—	—	—
172	60	♥Colby Res Corp.	110	......	—	—	—
750	315	Cons. Murch. 10c.	750	+30	‡Q60c	1.9	‡
£17½	£10⅝	Eastern Trans Cons 50c	£17¼	+¼	Q85c	4.9	2.4
240	170	Hampton Areas 10p	203	−1	3.75	2.1	2.5
215	103	♥Highwood Res	170	......	—	—	—
£24½	£17½	Homestake Mining $1	£20⅜	+⅜	Q20c	—	0.7
495	275	Northgate C$1	345	......	—	—	—
672	437	R.T.Z.	595	−5	t17.0	2.9	4.1
£147½	£108	Do.9½%Cv.Ln.'95-2000	£130	−1	Q9½%	32.5	(7.6
190	13	♥Sabina Inds C$1	70	......	—	—	—
755	312	♥Tara Exptn $1	755	+13	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Principal and interest tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK Listed; dealings permitted under Rule 163(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 163(3).
- ø Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ¶ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Issue price. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or other official estimates for 1982-83. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1983. Q Gross T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xC ex capital distribution.

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv. 20p	68	......	Fin. 13% 97/02	£95⅛	......
Bdg'wtr. Est. 50p	315	......	Alliance Gas	75	−10
Craig & Rose £1	900xd	......	Arnott	210	+2
Finlay Pkg. 5p	41	......	Carroll (P.J.)	111	......
Higsons Brew.	85	......	Concrete Prods.	89	......
Holt (Jos) 25p	890	......	Hall (R. & H.)	58	......
I.O.M. Stm. £1	130	......	Heiton (Hldgs.)	13	...
			Irish Ropes	35	......
IRISH			Jacob	60	......
Exch. 12% 1985	£99	......	T.M.G.	85	......
Nat 9¼% 84/89	£89	+⅛	Unidare	80	......

OPTIONS

3-month Call Rates

Industrials		House of Fraser	21	Vickers	12
Allied Lyons	13	I.C.I.	45	Woolworth Hld.	35
BOC Grp	20	"Imps"	12		
B.S.R.	18	I.C.L.	6	**Property**	
Babcock	15	Ladbroke	21	Brit. Land Oil & Min	6
Barclays Bank	45	Legal & Gen.	45	Brit. Land	9
Beecham	28	Lex Service	35	Cap. Counties	15
Blue Circle	40	Lloyds Bank	50	Land Sec.	34
Boots	17	"Lofs"	3	MEPC	24
Bowaters	22	London Brick	10	Peachey	17
Brit. Aerospace	19	Lucas Inds.	36	Samuel Props.	12
B.A.T.	34	"Mams"	12	Sterling Guar.	4
Brown (J.)	3	Mrks. & Spncr	20		
Burton Ord.	38	Midland Bank	42	**Oils**	
Cadburys	11	N.E.I.	10	Brit. Petroleum	35
Courtaulds	11	Nat. West. Bank	55	Burmah Oil	16
Debenhams	14	P & O Dfd.	22	Charterhall	8
Distillers	20	Plessey	28	Premier	5
Dunlop	5	Racal Elect.	18	Shell	50
Eagle Star	60	R.H.M.	7	Tricentrol	28
F.N.F.C.	6½	Rank Org. Ord.	19	Ultramar	60
Gen. Accident	42	Reed Intnl.	34		
Gen. Electric	17	Sears	8	**Mines**	
Glaxo	75	T.I.	14		
Grand Met.	38	Tesco	16	Charter Cons.	22
G.U.S. 'A'	55	Thorn EMI	55	Cons. Gold	50
Guardian	45	Trusthouse	16	Lonrho	8
G.K.N.	16	Turner & Newall	8	Rio T. Zinc	58
Hawker Sidly	32	Unilever	75		

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 25

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £700 per annum for each security

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

Bridge Fund Managers (a)(c)

Regis Hse., King William St., EC4. 01-623 4951

Amer. Gen.†	54.3	58.4	.....	0.75
Income*	77.6	84.0	.....	5.44
Capital Inc.‡	84.8	91.1	+0.1	2.16
Do. Acc.‡	106.5	114.5	+0.1	2.16
Exempt‡	188.0	203.0	.....	4.44
Intl. Recovery Inc.‡	36.6	39.4	−0.4	2.16
Do. Acc.‡	47.6	51.2	−0.5	2.16

Dealing *Tues. ‡Wed. †Thur. Prices Dec. 13/14/15.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)

4, Melville Cres., Edinburgh 3. 031-226 3492

Cres. American	64.3	69.4	.....	1.22
Cres. Capital	44.4	47.9	.....	1.83
Cres. Growth & Inc.	78.0	84.2	.....	4.90
Cres. High. Dist.	62.6	67.6	+0.3	7.40
Cres. International	126.7	136.8	+0.7	1.01
Cres. Resources	25.6	27.6	+0.2	2.17
Cres. Tokyo	88.9	96.0	+0.3	0.26

INSURANCES

Insurances—continued

Albany Life Assurance Co Ltd

3 Darkes Lane, Potters Bar. 0707-42311

Pension Funds

EqPenFdAc	618.0	650.5	+2.4	—
EuroFdAc	96.1	101.1	−0.2	—
FixedPenAc	421.0	433.1	....	—
GIMnPnAc	250.8	264.0	....	—
IntlManFd	265.6	279.5	−0.7	—
JanPenFd	133.9	140.9	+0.9	—
AmPenFdAc	128.8	135.5	−0.8	—
PropPenAc	229.4	241.4	+0.1	—
MpllnPnAc	525.4	552.9	+0.5	—

Capital Life Assurance

24 Ludgate Hill, EC4P 4BD.

Key Inv Fd	—	123.84	....	—
PacemkrInvFd	—	123.24	....	—
Equity Fd	99.87	105.13	....	—
Fxd Int Fd	98.46	103.64	....	—
Property Fd	96.75	101.84	....	—
Cash Fd	96.75	101.84	....	—
Mngd Fd	100.17	105.44	....	—

Commercial Union Group

St Helens, 1 Undershaft, EC3. 01-283 7500

VarAnUtsDc17	—	$148.87	....	—
VarAnUtsDc23	—	$33.10	....	—
Prime Series				
Managed	128.5	135.3	+0.2	—

UK Equity	130.1	137.0	+0.5	—
Int Equity	129.0	135.8	....	—
Property	103.1	108.6	....	—
Fixed Int	110.8	116.7	....	—
Index Lk Gt	90.6	95.4	....	—
Cash	121.7	128.2	....	—
Hand-in-Hand				
Cash	99.8	105.1	....	—
Fixed Int	141.3	148.8	....	—
Property	141.9	149.4	....	—
NatWest	186.2	198.0	....	—

Continental Life Assurance PLC

64 High St Croydon CR0 9XN 01-680 5225

Equity Acc	162.2	170.8	....	—
Propty Acc	155.9	164.2	....	—
Int Acc	152.6	160.7	....	—
Managd Acc	157.4	165.7	....	—
Spec Sits	121.2	127.6	....	—
Pen Int Acc	144.1	151.7	....	—
Pen Prp Acc	171.7	180.8	....	—
Pens Equity	187.7	197.6	....	—
Pen Mg Acc	163.3	171.9	....	—

Gilt Deposit, Index Fund prices available on request.

Crown Life

Crown Life House, Woking GU21 1XW. 04862-5033

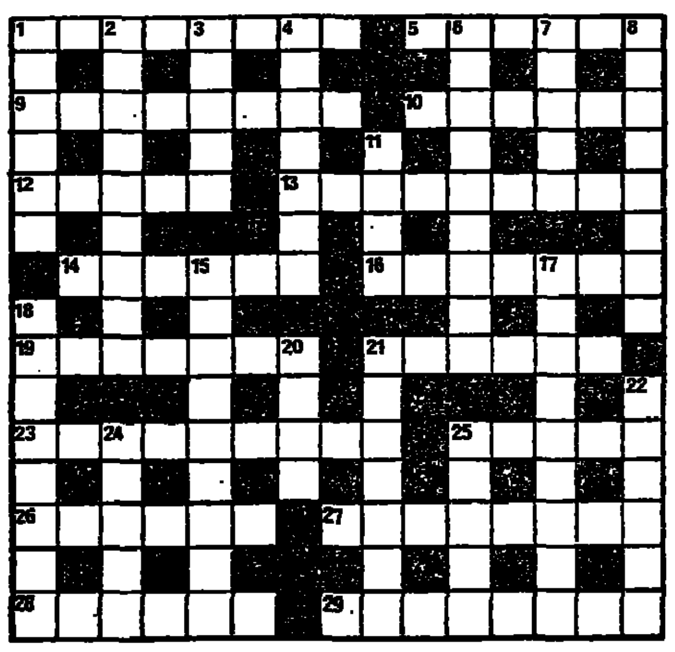
PenMnyAcc	126.3	132.9	....	—
PenMnyInt	115.5	121.5	....	—
PeCorntFd	182.0	191.5	....	—

Offshore & Overseas—continued

Money Market Trust Funds

Money Market Bank Accounts

F.T. CROSSWORD PUZZLE No. 5,300



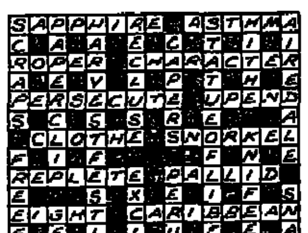
ACROSS

1 Count as an old gas-bag (8)
5 Matter giving rise to scandalous gossip? (6)
9 A girl outwardly competent and very charming (8)
10 An evil cast that's excusable (6)
12 Make a speech or organise tea (5)
13 Police order for proceedings? (4, 5)
14 About 19 billion miles right in outer space? (6)
16 Music master (7)
19 The gardener likes to see it overgrown (7)
21 Fancy us to be stupid (6)
23 Result of a big blow to the economy? (9)
25 Act as a paid informer (5)
26 It's looped around a dog (6)
27 A fly-by-night returns to revel in a scene of slaughter (8)
28 In this one endures some restraint (6)
29 Can't be fired at bosses' order (8)

DOWN

1 For him to laze is unusual (6)
2 Increase the strain (9)
3 Point to eradicate or delete (5)
4 Mohammedan claims I am converted (7)
6 He is not bound to release a spy (4, 5)
7 Foreign friend has to leave with another (5)
8 One girl I converted to the faith (8)
11 Part of a clutch that can easily be broken (4)
15 One has one of them, another three (9)
17 Throw a fight and spend the night worrying about it? (4, 5)
18 Took off for hurried round trip (8)
20 Take off a bad film, perhaps (4)
21 Large volume of transport? (7)
22 Either sing together or refrain (6)
24 What a debater takes to demolish an opponent (5)
25 A duty we no longer owe to the church (5)

Solution to Puzzle No. 5,299



INSURANCE & OVERSEAS MANAGED FUNDS

Black Horse Life Ass. Co. Ltd.
71, Lombard St., EC3. 01-623 1288

Black Horse Man. Fd		240 45	...	—
Managed Inv Fd	162 44	170.99	...	—
Property Fd	151.83	159.83	...	—
Fixed Interest Fd	148 31	156.12	...	—
Cash Fd	136 98	144 19	...	—
Income Fd	178 18	187 56	...	—
Extra Income Fd	165 72	174.45	...	—
Worldwide Growth Fd	228.64	240 68	...	—
Balanced Fd	179 70	189 16	...	—
Smlr Co's & Recv. Fd	205 34	216 15	...	—
Int. Technology Fd	267 38	281 46	...	—
Nth. Amer & Gen. Fd	165 50	174 22	...	—
Energy Int. Fd	103.27	108 71	...	—
Pacific Basin Fund	142.93	150.46	...	—

British National Life Assurance Co. Ltd.
Harlands Rd, Haywards Heath. 0444 414111

Managed	113.4	119.4	...	—
Property	116.9	123 0	...	—
Equity	118 4	124.6	...	—
International	125 4	132.0	...	—
Fixed Interest	102.0	107.4	...	—
Deposit	100.1	105.3	...	—
Managed Pen. Cap	113 4	119.4	...	—
Property Pens. Cap.	118 1	124.3	...	—
Equity Pens. Cap.	113.3	119.3	...	—
Intnl. Pens. Cap.	128.6	135.4	...	—
Fixed Int. Pens. Cap.	99.2	104.4	...	—
Deposit Pens. Cap.	97.6	102.8	...	—

Canada Life Group
2-6, High St., Potters Bar, Herts. P. Bar 51122

Equity Gth Nov 30		97.1	...	—
Rent. Fed. Nov 6		255.4	...	—
Managed Pen Fund	186.7	196.5	...	—
Property Pen Fund	115.1	121.2	...	—
Index Lnkd Pen Fund	111.8	117.7	...	—
Managed	124 0	130.6	+0.2	—
Property	104.6	110.2	+0.1	—
Gilt and Fixed Interest	107.7	113.4	+0.3	—
Index-Linked	97.7	102.9	−0.3	—
Equity	123.3	129.8	+0.5	—
Cash	104.8	110.4		—
Midland Bk. Unit Tst.	121.6	128.0	+0.7	—
Midland Bank Intnl.	145.2	152.9	+1.0	—

G.T. Management Ltd.
16 Finsbury Circus, Lond EC2M 7DJ 01-628 8131

G.T. Plan Bond Fund	126.0	132.7	...	—
GT Pln High Yld Fnd	125.3	131.9	...	—
GT Plan Far East Fnd	123.8	130.4	...	—
GT Plan N Am Fd	139.4	146 8	...	—
GT Pln UK&G.E. Fnd	141.2	148 7	...	—
GT Pln Wrldwde Fnd	140 1	147 5	...	—
GT Pension Bnd Fnd	136 6	143 8	...	—
GT Pen High Yld Fd	142 5	150.1	...	—
GT Pen Far East Fd	152.2	160.3	...	—
GT Pen N. Am. Fd	203.9	214.7	...	—
GT Pen UK & G.E. Fd	164 0	172 7	...	—
GT Pen Worldwide Fd	149.8	157.7	...	—

Prices for Accum. Units only.

Assicurazioni GENERALI S.p.A.
117, Fenchurch St., EC3M 5DY. 01-488 0733

Intl. Managed Bond	166 9	175 7	...	—

General Portfolio Life Ins. C. Ltd.
Crossbrook St., Cheshunt, Herts. Waltham X 31971

Portfolio Fd. Acc		256.3	...	—
Portfolio Fd. Inl.		220.6	...	—

See adjacent page Mon-Fri and Stock Exchange Dealings page Sat

Gresham Unit Ass. Ltd.
2-6, Prince of Wales Rd, B'mouth. 0202 767655

Managed Fd	278.2	293.2	...	—
Money Fd	156.4	164.6	...	—
Equity Fd	235.1	247 7	...	—
Fixed Int. Fd	118.7	125.1	...	—
Property Fd	173 0	182 3	...	—
Managed Pen. Fd	256.3	270 1	...	—
Equity Pension Fd	186.0	196 0	...	—
Fixed Int. Pen. Fd	166.2	175 1	...	—
High Yield Pen. Fd	163.8	172.6	...	—
Money Pension Fd	129.2	136.0	...	—
Property Pension Fd	128.2	135.1	...	—
Gresham/Framlington				
American & Gen. Fd	253.9	267 5	−0.2	—
Income Fd	190 4	200.6	+1 0	—
Int'l. Growth Fd	275.2	290 0	+0.9	—
Capital Fund	202.4	213.3	+0.3	—
Recovery Fund	152 9	161.1	+0 4	—

Growth & Sec. Life Ass. Soc. Ltd.

[illegible]

Providence Capital International Ltd.
PO Box 121, St Peter Port, Guernsey 0481 26726/9

UK Stockmarket	£1 439	1.548	...	—
Intl. Stockmarket	$1.042	1.121	...	—
World Technology	$1.350	1.452	...	—
N Am Stockmarket	$1 132	1.219	...	—
Far East	$1.048	1.127	...	—
UK Fixed Interest	£1 400	1.506	...	—
Intl. Fixed Int.	$1.132	1.219	...	—
Intl. Currency	$1.034	1.113	...	—
Intl. Money Market	$1.089	1.172	...	—
U K. Money Market	£1.048	1.128	...	—
Stlg. Mangd. Fd.	£1.255	1.350	...	—
Dollar Mangd. Fd.	$1.119	1.204	...	—

Savings Target Rate £7 75/58 25
Prices on Dec 14. Next dealing Dec 21.
For Quest Fund Man. (Jersey) see Royal Trust Intl. Mngt.

Quilter/Heinold Commodities
31-45, Gresham Street, EC2V 7LH 01-600 4177

Resource Fund	$13 72#	—		2 24

Next dealing date Jan 4

Rea Brothers (IoM) Ltd
29 Athol St, Douglas IoM 0624 21724

Bond Fund	£1.200	1 235		8 41

Wren Commodity Management Ltd.
10, St. George's St., Douglas IoM 0624 25015

Wren Com. Fund	21.4	22.3	...	—
Chinese Fund	65.2	67 9	...	—
Precious Metal Fund	119 4	124.3	...	—
Vanguard Cmdy Fd	33.6	34.5	...	—
Financial Futures Fd.	60.1	62.5	...	—
Wren Intl. Fnd.*	$0.431	0.449	...	—

OFFSHORE AND OVERSEAS

[illegible]

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. Z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. § Yield column shows annualised rate of NAV increase

COMMODITIES AND AGRICULTURE

North Sea herring quota hopes fade

BY IVO DAWNA

HOPES OF a rapid agreement on interim North Sea herring quotas faded last night when UK officials objected to a 15,000-tonne quota until June, proposed for Norwegian fishermen by the European Commission.

Britain, backed by The Netherlands and Denmark, says this is near 30 per cent of the total catch, when traditionally Norway's quota has been a single-figure percentage only.

The position is further confused by the fact that Norway received a special 30,000-tonne quota last year, though this, the UK says, was a one-off deal agreed to compensate the Norwegians for overfishing of other species by EEC member-states.

Talks between EEC member-states resume today but the likely outcome is a delay to any interim deal preventing fishing of any herring in the North and Central sectors of the North Sea pending new Commission negotiations with Norway.

Ironically the British had only accepted the historic division of herring quotas, agreed earlier this month after years of wrangling, on the understanding a rapid provisional agrement would be reached to allow early fishing of the species.

Under the other elements of the shareout, broadly accepted yesterday by all member-states, the Netherlands fishermen would take 13,700 tonnes, the UK 11,980, Denmark 10,490, France 6,850, West Germany 6,600, and Belgium 2,380.

Provisionally the Commission suggests that the total allowable catch for 1984 is likely to be at least 155,000 tonnes for the year, the broad figure on which the January-June figures are based. If, however, the Norwegian quota is reduced this could be revised upwards, perhaps with a further improvement when scientific reports on the state of stocks are published in May.

Alcan raises aluminium ingot list price by £50

BY JOHN EDWARDS, COMMODITIES EDITOR

BRITISH ALCAN ALUMINIUM said yesterday it was increasing its UK and Irish Republic list-price for aluminium ingots by £50 to £1,100 per tonne.

This is the fifth rise in the sterling price for aluminium this year, reflecting both the fall in the value of the pound against the dollar and improved demand. The last increase was in August.

The latest rise still leaves the UK producer price, at about 71 cents a lb, well below the U.S. domestic selling price of 81.5 cents.

The London Metal Exchange cash price for aluminium rose yesterday by £6, to £1,088.5 a tonne, while the three months quotation was £6.5 up at £1,116.75.

The LME price, however, is for aluminium, ex-warehouse (sellers option) anywhere in Europe, duty has been paid if the aluminium comes from outside the EEC and many of the brands in LME warehouses are of poor quality.

In contrast the UK producer-price of £1,100 applies to aluminium, minimum purity of 99.5 per cent, of known brands delivered to works, duty paid.

"Wash sales" examined as investigations of exchanges gain tougher stance

CFTC raises stakes for self-regulation

BY A SPECIAL CORRESPONDENT

THE Commodity Futures Trading Commission has not been considered among the toughest of federal regulatory agencies in its eight-year history. Its recent actions, however, may alter this view.

The commission is upping the stakes in its bid to obtain tougher self-regulation of floor-traders by the exchanges themselves.

In past weeks it announced that the stock index futures markets and especially the Kansas City Board of Trade's value line average have been examined for non-competitive trades known as "wash sales," in which neither party makes gain or loss while inflating overall volume.

The Commission also released a 67-page report critical of the trade board for several procedural problems. The agency threatens to block approval of all new trade board contracts unless it sees significant improvements in six months.

In Kansas City the exchange has struggled to maintain a viable stock index liquidity and volume in the face of the overwhelming lead of the Chicago *Mercantile Exchange's S&P 500* and the New York Stock Exchange composite index traded at the New York Futures Exchange.

To attract renewed interest and to gain spreading and arbitrage business Kansas City introduced in the middle of this year a down-scaled version of the Value Line Average. Chicago and New York, however, continued to dominate, in spite of an aggressive marketing and advertising campaign.

The commission investigation stems from concern that floor-traders, to maintain volume for value line, have committed illegal wash sales. Also referred to as "painting the tape," a wash sale is a non-competitive trade between locals at a prearranged price.

While its intention is to inflate contract volume and thus give the impression of greater liquidity than otherwise, a wash sale may also influence price action.

A wash sale in stock index futures, for example, may mean that locals level out a trade at the prearranged price although the spot—the stock market itself—has shifted.

Though no findings have been made, the wash sale has the potential of influencing a market so that it temporarily does not reflect forces of supply and demand.

Detecting a wash sale is *difficult, mainly because the* intention of most floor-traders is to take advantage of small price fluctuations numerous *times in a session.*

Often a floor-trader will prevent a loss by getting out of a position at the same price at which it was put on, a move that could be mistakenly interpreted as a wash sale.

Furthermore, studying trade sequences in a pit may identify individuals who seem guilty of trading to boost volume but proving a conspiracy is difficult, according to exchange compliance officials.

In Chicago the board of trade is also experiencing a stressful relationship with the commission. In publicly airing its complaints about the trade board the commission alleges that the exchange's membership disci*plinary committee has ignored* compliance staff recommendations to charge floor-trading members, without any explanatory statements.

According to floor sources the charges recommended by compliance officials include rule violations such as trading out of hours and wash-trading in the energy contracts.

Trading in crude oil futures began at both the trade board and the New York Mercantile Exchange on March 30. April volume in crude oil at the trade *board totalled 30,539 contracts,* more than double the New York exchange's 13,924 contracts.

From April onward, however, downhill progress at the trade board has been swift.

By July trade board crude volume was just more than 8,000 contracts, while NYMEX had more than 18,000 contracts. In November, trade board volume dwindled to 1,939 contracts, compared with 67,191 in New York.

Heating-oil volume in Chicago fell from 1987 contracts in April to only 4 contracts in October and November, whereas NYMEX volume rose to 200,400 contracts in November, from 121,300 in April.

In spite of the lack of floor support for energy contracts at the trade board, which largely reflected the feverish activity in the grain markets this year as well as dissatisfaction with the trade board's certificate-delivery mechanism, the exchange continued an active marketing campaign to potential commercial users.

There has also been talk of several brokerage firms having put up $100,000 (£70,472) between them to provide seed money to trade the trade board's energy complex.

This would give more incentive to floor-traders to build volume. Such traders "scalp" for a living by pouncing on price changes that occur as outside orders enter the pit.

Some grain-traders freely admit to exceeding the outright position—limits in the session. These stand at 3m bushels in maize, soyabeans and wheat (the equivalent of 600 5,000-bushel contracts in each commodity).

Floor sources at the board think that clearing members' surveillance of intraday position-limits may be inadequate.

The commission's report notes that the board has not used its data-processing facility fully enough for such surveillance to be acceptable.

White sugar export licences increased

THE European Commission stepped up white sugar export authorisations at yesterday's weekly tender to 61,000 tonnes, from 46,750 tonnes last week. The maximum export rebate was somewhat lower than traders had expected at 338.09 European Currency Units a tonne (339.9 Ecu last week).

The London daily raw sugar price was fixed in the morning at £129 a tonne, £4 down from Tuesday's level, but London futures market prices were little changed on the day.

● GREASY WOOL production forecast for July-June 1983-84 by the Australian Wool Production Forecasting Committee has been raised to 685.1m kilos in its latest review, from the 680m predicted in October, the Statistics Bureau said in Canberra yesterday.

The committee put shorn wool output at 630.7m kilos against its previous forecast of 623.7m and dead and fellmongered wool and wool exported on skins at 54.4m against 56.3m.

For 1982-83 the bureau estimated total production at 704m kilos, comprising 641.6m kilos of shorn wool and 62.4m of other wool.

● COCOA bought by Ghana Cocoa Marketing Board in the fourth week of the 1983-84 main crop season, ended on December 16, was 13,015 tonnes, the board *said in Accra.* Cumulative purchases for the season to date are 27,031 tonnes.

● WINTER VEGETABLES will not be in short supply over Christmas and the New Year, although some prices are already twice those of last year, growers said yesterday. Supplies are 15 per cent down on last year, a bumper year, but imports made up some of this year's shortfall, said the French Fruit and Vegetable Information Bureau.

Arbitration sought in cotton row

BY OUR COMMODITIES EDITOR

THE Association of Cotton Merchants in Europe is to seek official arbitration in its dispute with Mahfed, the Indian state-controlled organisation, over contracts for the sale of nearly 300,000 bales of raw cotton earlier this year.

A statement from the association said it would, if necessary, go to litigation to defend its rights and to preserve the sanctity of contracts.

The dispute dates back to earlier this year when Mahfed said it could not honour the contracts, agreed in January and February, because the Indian Government refused to give the required export quotas.

The association said this was not the real reason. It claimed that India was in reality defaulting on contracts concluded at low prices prior to the sharp rise in the world market this spring after the sharp fall in the U.S. crop.

A delegation from the association visited New Delhi in November with new proposals to settle the dispute but received no response, apart from reports that Mahfed was disposing of the disputed cotton at the much higher current market levels.

The association said that after nine months of fruitless talks it has no alternative but to secure settlement by way of monetary compensation for a "major and blatant default . . ." which under any circumstances cannot be accepted or condoned."

Demand fall hits gold

BY NANCY DUNNE IN WASHINGTON

THE WEAKNESS in world industrial and jewellery manufacturing demand was a key factor in depressing gold prices in recent months, says a paper by J. Aron/Goldman Sachs precious metal research group. It says the market has been awash with gold supplies absorbed only at lower prices.

Total manufacturing gold demand this year is expected to decline by almost 7m ounces, or 20 per cent, to 28.4m ounces. Gold used in electronics, dentistry and other industries has declined by 8 per cent. Gold used in jewellery has dropped by 6.3m ounces.

Manufacturing needs are down in every country or region this year. U.S. gold-use has fallen from 4.8m ounces last year to about 4.6m this.

As the price dropped, sales by Communist states declined, to about 2.3m ounces, compared to 6.7m ounces last year. Soviet sales, expected to rise, dropped to about 1.8m ounces, down 5.7m ounces in 1982.

Central banks, after three years' increasing reserves, began selling as states with severe balance of payments problems unloaded gold

PRICE CHANGES

[illegible]

GOLD MARKETS

Gold rose $1/4 an ounce from Tuesday's close in the London bullion market yesterday to finish at $378-378½. The metal opened at $378-378½ and traded between a high of $379-379½ and a low of $377½-378½. Trading was extremely quiet ahead of the Christmas break.

In Paris the 12½ kilo bar was fixed at FFr 102,600 per kilo ($376.65 per ounce) in the afternoon compared with FFr 103,000 ($378.79) in the morning and FFr 102,000 ($375.44) on Tuesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 33,800 per kilo ($379.47 per ounce) against DM 33,385 ($375.50) previously and closed at $378½-379 from $377¼-378¼.

In Luxembourg the dollar per ounce equivalent of the 12½ kilo bar was $378.55 at the fixing from $375.25.

In Zurich gold finished at $378½-379 from $378-378½.

[illegible]

EUROPEAN MARKETS

[illegible]

LONDON OIL

[illegible]

SPOT PRICES

[illegible]

CRUDE OIL FUTURES

[illegible]

BRITISH COMMODITY PRICES

BASE METALS

[illegible]

COPPER

[illegible]

TIN

[illegible]

LEAD

[illegible]

ZINC

[illegible]

ALUMINIUM

[illegible]

NICKEL

[illegible]

SILVER

[illegible]

LONDON FUTURES

[illegible]

GAS OIL FUTURES

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

GRAINS

[illegible]

WOOL FUTURES

[illegible]

COTTON

[illegible]

POTATOES

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

MEAT/FISH

[illegible]

INDICES

FINANCIAL TIMES

[illegible]

REUTERS

[illegible]

MOODY'S

[illegible]

DOW JONES

[illegible]

AMERICAN MARKETS

NEW YORK, December 21

[illegible]

NEW YORK

[illegible]

CHICAGO

[illegible]

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm, but below best

The dollar was firm on the foreign exchanges yesterday, but trading was very thin ahead of the Christmas holiday, and the U.S. currency finished below its highest levels of the day. Speculation about a tightening of Federal Reserve monetary policy as a result of inflationary pressures caused by fast economic growth continued to underpin the dollar.

The retreat in late European trading followed publication of the U.S. Government's early flash estimate of fourth quarter Gross National Product. The figure of 4.5 per cent was much lower than market expectations of around 6 per cent, although dealers pointed out that previous flash estimates have been revised upwards later.

Remarks by Mr Donald Regan, U.S. Treasury Secretary, that moderating economic growth and low inflation seem to point towards lower interest rates, also helped to pull the dollar back during the afternoon. This was partly offset however by the announcement from the U.S. Treasury on Tuesday of its $15bn mini refunding package, which is expected to keep upward pressure on rates.

The dollar rose to DM 2.7715 from DM 2.7680 against the D-mark; FFr 8.46 from FFr 8.4475 against the French franc; SwFr 2.2140 from SwFr 2.2050 in terms of the Swiss franc; and Y234.90 from Y234.70 against the yen.

Its trade-weighted index on Bank of England figures rose to 130.9 from 130.8.

STERLING — Trading range against the dollar in 1983 is 1.6245 to 1.4140. November average 1.4773. Trade-weighted index 83.3, against 83.1 at noon, 83.0 at the opening, 81.9 at the previous close, and 84.3 six months ago.

Sterling was the main beneficiary from the late easing of the dollar, after a day when the pound displayed a generally more confident look. It opened little changed at $1.4190-1.4200, fairly near the day's low of $1.4180-1.4190, but rose to a peak of $1.4275-1.4285 in the afternoon, before closing at $1.4220-1.4230, a rise of 35 points on the day.

The pound also gained ground against Continental currencies and the yen, rising to DM 3.9450 from DM 3.9275; FFr 12.03 from FFr 11.9850; SwFr 3.15 from SwFrs 3.13; and Y334.25 from Y333.25.

D-MARK — Trading range against the dollar in 1983 is 2.7780 to 2.3320. November average 2.6847. Trade weighted index 124.2 against 127.8 six months ago.

The dollar was fixed higher against the D-mark at yesterday's fixing in Frankfurt at DM 2.7705 compared with DM 2.7657 on Tuesday. There was no intervention by the Bundesbank and business volume remained subdued ahead of Christmas. Sterling was higher at DM 3.9360 from DM 3.9260 while the Swiss franc slipped to DM 1.2525 from DM 1.2530. Within the EMS the Belgian franc was unchanged at DM 4.9090 per BFr 100 and the French franc eased slightly to DM 32.735 from DM 32.755.

BELGIAN FRANC — Trading range against the dollar in 1983 is 56.56 to 45.90. November average 54.53. Trade weighted index 89.2 against 92.8 six months ago.

The Belgian National Bank did not intervene in the foreign exchange market in the week up to last Monday. The Bank spent the equivalent of BFr 5.5bn the previous week. Central banks have not intervened to any great extent just recently owing to the proximity of Christmas and a reduction in volume. The dollar rose to BFr 56.4825 from BFr 56.35 and sterling rose to BFr 80.23 from BFr 79.98. Within the EMS the D-mark slipped to BFr 20.3640 from BFr 20.3762½ and the French franc was lower at BFr 6.6675 from BFr 6.6720.

£ in New York—Latest

	Dec. 21	Previous
Spot	$1.4245-4260	$1.4185-4195
1 month	0.14-0.18 dis	0.16-0.18 dis
3 months	0.50-0.55 dis	0.54-0.56 dis
12 months	1.00-1.10 dis	1.08-1.12 dis

£ forward rates are quoted in U.S. cents discount.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU December 21	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	45.3906	+2.40	+1.76	±1.5447
Danish Krone	8.14104	8.16471	+0.29	−0.32	±1.6425
German D-Mark	2.24184	2.25765	+0.71	+0.10	±1.0642
French Franc	6.87456	6.89374	+0.28	−0.32	±1.4052
Dutch Guilder	2.52595	2.53641	+0.41	−0.20	±1.4964
Irish Punt	0.72569	0.726917	+0.17	−0.44	±1.6699
Italian Lira	1403.49	1368.99	−2.46	−2.46	±4.1505

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

THE POUND SPOT AND FORWARD

Dec 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4180-1.4285	1.4220-1.4230	0.13-0.18c dis	−1.31	0.30-0.35dis	−0.91
Canada	1.7710-1.7840	1.7765-1.7775	0.03-0.13c dis	−0.54	0.16-0.26dis	−0.48
Nethlnd.	4.41-4.45	4.43¼-4.43¾	1¼-¾c pm	3.04	3½-3¼ pm	3.04
Belgium	79.95-80.60	80.30-80.40	5-15c dis	−1.49	30-40 dis	−1.74
Denmark	14.21-14.32	14.24¾-14.25¾	2¼-4ore dis	−2.54	7½-8½ dis	−2.21
Ireland	1.2640-1.2720	1.2690-1.2700	0.32-0.38p dis	−3.31	0.87-0.97dis	−2.90
W. Ger.	3.92-3.95½	3.94-3.95	1⅞-¾pf pm	2.86	3¼-2⅞ pm	3.04
Portugal	127.75-128.75	128.50-129.40	125-310c dis	−20.30	460-970dis	−22.12
Spain	225.00-226.50	225.30-226.10	145-185c dis	−8.76	515-580 dis	−9.68
Italy	2.382-2.399	2.390-2.392	15¾-17¾lira dis	−8.41	47½-50¼ dis	−8.15
Norway	11.07-11.15	11.10-11.11	3½-4⅞ore dis	−4.52	9½-10⅝ dis	−3.58
France	11.98-12.08	12.02½-12.03½	3-4c dis	−3.49	12-13½ dis	−4.24
Sweden	11.49½-11.57	11.52½-11.53½	2½-3⅝ore dis	−2.93	6½-7¼ dis	−2.38
Japan	333-336	333¼-334¼	0.65-0.55y pm	2.15	2.20-2.10 pm	2.57
Austria	27.65-27.85	27.75-27.80	7⅛-5⅝gro pm	2.89	23½-18⅝ pm	3.00
Switz.	3.13-3.16	3.14½-3.15½	1⅛-⅞c pm	3.81	4-3½ pm	4.76

Belgian rate is for convertible francs. Financial franc 81.35-81.45. Six-month forward dollar 0.48-0.54c dis. 12-month 0.98-1.08c dis.

THE DOLLAR SPOT AND FORWARD

Dec 21	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4180-1.4285	1.4220-1.4230	0.13-0.18c dis	−1.31	0.30-0.35dis	−0.91
Ireland†	1.1190-1.1220	1.1205-1.1215	0.19-0.15c pm	1.82	0.57-0.52 pm	1.94
Canada	1.2490-1.2520	1.2495-1.2500	0.15-0.18c dis	1.06	0.17-0.15 pm	0.51
Nethlnd.	3.1110-3.1160	3.1140-3.1160	1.18-1.08c pm	4.36	3.17-3.02 pm	3.94
Belgium	56.40-56.50	56.45-56.47	par-1c dis	−0.11	11-14 dis	−0.88
Denmark	10.02-10.04¼	10.02-10.02½	par-¾ore dis	−0.30	0.30-0.80dis	−0.22
W. Ger.	2.7665-2.7770	2.7710-2.7720	0.96-0.91pf pm	4.05	2.77-2.72 pm	3.96
Portugal	132.50-133.15	132.80-133.15	80-200c dis	−12.65	300-650dis	−14.28
Spain	158.65-158.90	158.80-158.90	80-110c dis	−7.17	316-370 dis	−8.62
Italy	1,681-1,693	1,681-1,682	10-10½lire dis	−7.40	30½-31½dis	−7.37
Norway	7.8050-7.8125	7.8075-7.8125	1.65-1.95ore dis	−2.77	4.90-5.20dis	−2.59
France	8.4470-8.4800	8.4575-8.4625	1.45-1.65c dis	−2.20	7.00-7.50dis	−3.43
Sweden	8.1050-8.1100	8.1050-8.1100	0.90-1.10ore dis	−1.48	2.90-3.10dis	−1.48
Japan	234.65-235.50	234.85-234.95	0.72-0.68y pm	3.57	2.12-2.07 pm	3.58
Austria	19.51-19.56¾	19.55-19.56	7.30-6.60gro pm	4.27	21-18 pm	3.99
Switz.	2.2075-2.2150	2.2135-2.2145	1.00-0.95c pm	5.29	3.12-3.07 pm	5.80

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

Belgian rate is for convertible francs. Financial franc 57.20-57.25.

OTHER CURRENCIES

Dec. 21	£	$		£ Note Rates
Argentina Peso	31.10-31.17	21.87-21.90	Austria	27.60-27.90
Australia Dollar	1.6015-1.6066	1.1255-1.1275	Belgium	80.70-81.50
Brazil Cruzeiro	1,351.0-1,359.0	950-955	Denmark	14.17-14.31
Finland Markka	8.3550-8.3900	5.8880-5.8900	France	11.95-12.07
Greek Drachma	141.20-141.80	99.45-99.95	Germany	3.91½-3.95½
Hong Kong Dollar	11.08½-11.09½	7.7845-7.7875	Italy	2365-2395
Iran Rial	125.75*	88.50*	Japan	332-337
KuwaitDinar(KD)	0.4177-0.4185	0.29328-0.29338	Netherlands	4.39¾-4.43¾
Luxembourg Fr.	80.30-80.40	56.45-56.47	Norway	11.05-11.15
Malaysia Dollar	3.3295-3.3326	2.3335-2.3360	Portugal	184-196
New Zealand Dlr.	2.1915-2.1965	1.5445-1.5465	Spain	222-230¼
Saudi Arab. Riyal	4.9585-4.9645	3.4810-3.4815	Sweden	11.46-11.56
Singapore Dollar	3.0315-3.0390	2.1290-2.1315	Switzerland	3.12¾-3.15¾
Sth. African Rand	1.7390-1.7410	1.2225-1.2240	United States	1.41-1.43
U.A.E. Dirham	5.2305-5.2380	3.6720-3.6730	Yugoslavia	195-215

* Selling rates.

CURRENCY MOVEMENTS

Dec. 21	Bank of England Index	Morgan Guaranty Changes%
Sterling	83.3	−8.4
U.S. dollar	130.9	+18.6
Canadian dollar	92.2	+0.3
Austrian schilling	114.2	+2.8
Belgian franc	89.2	−12.0
Danish kroner	78.2	−6.1
Deutsche mark	124.2	+6.8
Swiss franc	150.6	+13.8
Guilder	114.1	+3.9
French franc	66.0	−16.6
Lira	48.8	−12.2
Yen	156.9	+12.4

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

Dec. 20	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.731613	0.573235
U.S. $	8½	1.03911	0.813420
Canadian$	10.06	*	1.01661
Austria Sch	3¾	20.2907	15.8861
Belgian F	10	58.6915	45.9806
Danish Kr.	7	10.4223	8.16471
D mark	4	2.87885	2.25765
Guilder	5	3.25891	2.53641
French F.	9½	8.80386	6.89374
Lira	17	1747.78	1368.99
Yen	5	244.159	191.479
Norwgn Kr.	8	8.11441	6.35769
Spanish Pta	—	164.907	129.130
Swedish Kr	8½	8.49770	6.59847
Swiss Fr	4	2.29872	1.80025
Greek Dr'ch	20½	103.578	81.0980

*C$/SDR rate for Dec 20: 1.28787.

EXCHANGE CROSS RATES

Dec. 21	Pound St'rling	U.S. Dollar	Deutschem'k	JapaneseYen	FrenchFranc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.423	3.945	334.3	12.05	3.150	4.433	2391.	1.777	80.38
U.S. Dollar	0.703	1.	2.772	234.9	8.46	2.214	3.116	1681.	1.249	56.46
Deutschemark	0.253	0.361	1.	84.75	3.049	0.798	1.124	606.1	0.450	20.37
Japanese Yen 1,000	2.992	4.256	11.80	1000.	35.99	9.424	13.26	7153.	5.316	240.4
French Franc 10	0.831	1.182	3.279	277.8	10.	2.618	3.685	1988.	1.477	66.79
Swiss Franc	0.317	0.452	1.252	106.1	3.819	1.	1.407	759.0	0.564	25.51
Dutch Guilder	0.226	0.321	0.890	75.41	2.714	0.711	1.	539.4	0.401	18.13
Italian Lira 1,000	0.418	0.595	1.650	139.8	5.031	1.317	1.854	1000.	0.743	33.61
Canadian Dollar	0.563	0.801	2.220	188.1	6.770	1.773	2.494	1346.	1.	45.22
Belgian Franc 100	1.245	1.770	4.910	416.0	14.97	3.920	5.516	2976.	2.212	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

Dec. 21	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Kroner
Short term	8⅞-9	9⅛-9⅜	8-8¼	5¾-5⅞	1⅝-1⅞	5¼-5⅜	12⅝-12⅞	20-25	9½-10	9½-10	6⅞-7⅛	13¾-14
7 day's notice	9-9⅛	9⅝-9⅞	8½-9	5⅜-5⅝	1⅛-1¼	5⅛-5⅜	12⅝-12⅞	17-18⅛	9¾-10¼	9¾-10¼	7-7⅛	11¼-11¾
Month	9⅛-9¼	10⅛-10⅜	9⅜-9⅝	6⅛-6⅜	4⅛-4⅜	6¼-6⅜	12¼-12¾	17-17¾	9⅛-10	10⅜-10⅝	6⅞-7	11⅝-11⅞
Three months	9⅜-9½	10⅛-10⅜	9⅜-9⅝	6⅛-6⅜	4⅛-4⅜	6¼-6⅜	13¾-14	17¼-18	11⅛-11⅝	10⅞-11⅛	6⅝-6¾	11⅝-11⅞
Six months	9⅝-9¾	10¼-10½	9⅞-10⅛	6⅛-6⅜	4⅛-4⅜	6⅜-6⅝	14¼-14⅛	17⅞-18⅝	11¼-11¾	11⅛-11⅜	6⅝-6⅞	11-11½
One Year	9⅞-10⅛	10½-10¾	10½-10⅝	6⅜-6⅝	4⅛-4⅜	6½-6⅝	14⅜-14⅝	18¼-18⅞	11¼-11¾	11¼-11½	6⅝-6¾	11-11¼

Asian $ (closing rates in Singapore): Short-term 9⅜-9½ per cent; seven days 9½-9⅝ per cent; one month 10⅛-10¼ per cent; three months 10⅛-10¼ per cent; six months 10⅜-10½ per cent; one year 10⅝-10¾ per cent. Long-term Eurodollars two years 11¼-11½ per cent; three years 11⅝-12 per cent; four years 12-12½ per cent; five years 12⅜-12⅝ per cent nominal closing rates. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Easier tone in London

Interest rates had a slightly easier tone on the London money market yesterday as sentiment improved as a result of the more confident performance of sterling on the foreign exchanges. Three-month interbank money was unchanged at 9⅛ per cent, and discount houses buying rates for three-month eligible bank bills were also steady at 8 31/32 per cent, but rates on three-month sterling certificates of deposit eased to 9 1/16 per cent from 9⅛ per cent.

The Bank of England forecast a money market shortage of around £550m, which was revised to £500m at noon, and back to £550m in the afternoon. Total help provided by the authorities was £523m through bill purchases in the morning and afternoon, plus some late assistance.

Before lunch the Bank of England bought £390m bills by way of £54m bank bills in band 1 (up to 14 days maturity) at 9⅛ per cent; £110m bank bills in band 2 (15-33 days) at 9 per cent; £4m Treasury bills in band 3 (34-63 days) at 8 31/32 per cent; £2m local authority bills in band 3 at 8 31/32 per cent; £67m bank bills in band 3 at 8 31/32 per cent; £18m Treasury bills in band 4 (64-91 days) at 8⅞ per cent; and £135m bank bills in band 4 at 8⅞ per cent.

In the afternoon another £173m bills were purchased, through £6m Treasury bills in band 1 at 9⅛ per cent; £108m bank bills in band 1 at 9⅛ per cent; and £59m bank bills in band 2 at 9 per cent.

Late assistance of around £60m was also provided.

In Amsterdam the Dutch central bank offered a two-week special advance to the money market from tomorrow until January 6. The size of the advance, which carries an interest rate of 5⅞ per cent, will be announced today.

In New York the Federal Reserve injected $350m into the banking system by buying Treasury bills when Federal funds were trading at 8⅞ per cent.

UK clearing banks' base lending rate 9 per cent (since October 4 and 5)

MONEY RATES

Dec. 21	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.45-5.50	12⅛	1¼-2¼	5¼-5¾	6.46875	17⅛-17⅜	9.35	11¼-12
One month	5.50-5.60	12⅛-12¼	4⅛-4¼	6¼-6½	6.53125	17⅝-17⅞	10⅛-10¼	12⅛-12⅜
Two months	5.40-5.55	12¼-12⅜	—	—	—	—	—	12⅛-12⅜
Three months	5.40-5.55	12⅜-12½	4⅜-4⅛	6¼-6¼	6.28125	17⅝-18	10⅞-11⅛	12⅛-12⅜
Six months	5.40-5.55	12⅜-12½	—	6⅛-6½	—	—	10⅞-11¼	12⅛-12⅜
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	12	—	5¾	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Dec. 21 1983	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	5-9⅛	8⅞-9	—	9-9¼	6-9	—	—	—	—
2 days notice	—	—	—	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 day notice	—	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—
One month	9¼-9⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—
Nine months	[illegible]	[illegible]	[illegible]	—	—	—	—	—	—	—
One year	[illegible]	[illegible]	10-10⅛	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Certs of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Two months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Three months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Six months	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Nine months	[illegible]	—	[illegible]	[illegible]	—	—
One year	[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
Two years	—	10¼	—	—	—	—
Three years	—	10½	—	—	—	—
Four years	—	10¾	—	—	—	—
Five years	—	10¾	—	—	—	—

ECGD Fixed Rate Export Finance Scheme IV Average Rate for interest period November 2 to December 6 1983 (inclusive) 9.350 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rates (published by the Finance Houses Association). 9½ per cent from December 1 1983. London and Scottish Clearing Bank Rates for lending 9 per cent. London Deposit Rates for sums at seven days' notice 5⅞ per cent. Treasury Bills: Average tender rate of discount 8.8897 per cent. Certificates of Tax Deposit (Series 6). Deposits of £100,000 and over held under one month 9⅛ per cent; one-three months 9⅛ per cent; three-six months 9⅛ per cent; six-12 months 10⅛ per cent. Under £100,000 8⅝ per cent from December 14. Deposits held under Series 4-5 10 per cent. The rate for all deposits withdrawn [illegible]

FT LONDON INTERBANK FIXING

LONDON INTERBANK FIXING (11.00 a.m. December 21)

3 months U.S. dollars	
bid 10 1/4	offer 10 3/8

6 months U.S. dollars	
bid 10 3/8	offer 10 1/2

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	11
Broker loan rate	10½
Fed funds	9¼
Fed funds at intervention	—

Treasury Bills

One month	8.85
Two month	8.86
Three month	8.97
Six month	9.16
One year	9.21

Treasury Bonds

Two year	[illegible]
Three year	[illegible]
Four year	[illegible]
Five year	[illegible]
Seven year	[illegible]
10 year	[illegible]
30 year	[illegible]

FINANCIAL FUTURES

Firmer trend

Prices finished on a firmer note in the London International Financial Futures Exchange yesterday. Initial trading had pushed values lower but news later in the day of a 4½ per cent rise in U.S. GNP in the fourth quarter of this year prompted a rally. The provisional increase in output was well below the market's estimate of a 6-7 per cent rise. It suggested that the Federal authorities may not need to let interest rates rise in order to contain the inflationary pressures normally associated with a sharp economic recovery.

The turnaround in sentiment prompted a good deal of short-covering and after opening at 89.59 down from 89.61 at Tuesday's close, the March Euro-dollar contract rose to finish at the day's high of 89.74.

Gilt prices were also firmer, reversing a weaker trend earlier in the day as opening values reflected a softer finish to the U.S. bond market on Tuesday. The March price opened at 108-05 down from 108-09 on Tuesday but rose to a high of 108-23 before finishing at 108-22.

Short sterling prices finished on a firmer note. A small reduction in cash rates together with a better performance by sterling helped to push values firmer. The March price opened at 90.25, unchanged from Tuesday and closed at 90.34. Trading volume in all contracts was comparatively low ahead of the Christmas break.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	89.74	89.74	89.55	89.61
June	89.41	89.41	89.26	89.29
Sept	89.18	89.18	89.06	89.07
Dec	88.91	88.91	88.85	88.84
March	88.71	—	—	88.64

Volume 1,883 (1,659)
Previous day's open int 8,822 (8,965)

THREE-MONTH STERLING DEPOSIT £25,000 points of 100%

	Close	High	Low	Prev
March	90.34	90.35	90.22	90.25
June	90.19	90.19	90.10	90.10
Sept	90.07	90.07	89.91	89.96
Dec	89.80	89.80	89.80	89.81

Volume 646 (551)
Previous day's open int 5,116 (5,142)

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

	Close	High	Low	Prev
Dec	109-24	109-27	109-05	109-07
March	108-22	108-23	108-03	108-09
June	108-09	—	—	107-28
Sept	107-28	—	—	107.15
Dec	107-15	—	—	107-02

Volume 1,648 (1,021)
Previous day's open int 3,514 (3,415)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of March contract) 36 to 52 (32nds)

STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.4285	1.4290	1.4220	1.4222
June	1.4300	1.4300	1.4252	1.4242
Sept	1.4330	—	—	1.4268

Volume 157 (231)
Previous day's open int 2,184 (2,178)

DEUTSCHE MARKS DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.3642	0.3643	0.3640	0.3648
June	0.3676	—	—	0.3683
Sept	—	—	—	—

Volume 15 (33)
Previous day's open int 265 (255)

SWISS FRANCS SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
March	0.4578	—	—	0.4588
June	0.4645	—	—	0.4665
Sept	—	—	—	—

Volume nil (1)
Previous day's open int 85 (85)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
March	0.4291	0.4291	0.4288	0.4298
June	0.4331	—	—	0.4339
Sept	—	—	—	—

Volume 22 (21)
Previous day's open int 223 (221)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	69-22	69-29	69-19	69-14
June	69-02	69-09	69-00	68-28
Sept	68-18	68-24	68-18	68-11
Dec	68-03	68-09	68-03	67-28
March	67-22	67-27	67-22	67-15
June	67-12	67-15	67-11	67-04
Sept	67-02	67-05	67-01	66-26
Dec	66-25	66-28	66-25	—

U.S. TREASURY BILLS (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	91.03	91.13	91.02	91.03
March	90.58	90.62	90.53	90.48
June	90.24	90.31	90.21	90.17
Sept	90.01	90.06	89.99	89.96
Dec	89.80	89.83	89.80	89.75
March	89.59	89.62	89.59	89.55
June	89.39	89.42	89.39	89.35
Sept	89.21	89.22	89.20	—

CERT. DEPOSIT (IMM) $1m points of 100%

	Latest	High	Low	Prev
Dec	90.17	90.18	90.16	90.13
March	89.83	89.88	89.65	89.68
June	89.45	89.48	89.31	89.32
Sept	89.17	89.22	89.14	89.06
Dec	—	—	—	—
March	—	—	—	—
Sept	77.50	77.50	77.20	76.90

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

	Latest	High	Low	Prev
March	89.41	89.45	89.26	89.27
June	89.07	89.11	88.94	88.95
Sept	88.81	88.87	88.71	88.71
Dec	88.59	88.61	88.56	88.49
March	88.34	88.38	88.34	88.27
June	89.00	89.00	—	—

STERLING (IMM) $s per £

	Latest	High	Low	Prev
March	1.4285	1.4315	1.4230	1.4230
June	1.4300	1.4320	1.4255	1.4255
Sept	1.4330	1.4330	1.4310	1.4280
Dec	1.4340	1.4340	1.4320	1.4305
March	1.4360	1.4360	1.4350	1.4330

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	68-12	68-20	68-09	68-05
June	67-10	67-19	67-10	67-06
Sept	66-14	66-21	66-14	66-11
Dec	65-25	65-28	65-25	65-30
March	—	—	—	—
June	—	—	—	64-17
Sept	64-08	64-11	64-05	64-04
Dec	—	—	—	—

INTERNATIONAL CAPITAL MARKETS

Elders IXL taps Euromarkets

BY PETER MONTAGNON IN LONDON

ELDERS IXL, the Australian industrial and agricultural group, is arranging a U.S.$720m. three year loan in the Euromarkets to pay for its purchase of Carlton and United Breweries.

The loan is to be led by Chase Manhattan Asia, Citicorp, Paribas Asia and Wardley Australia. It will bear interest at a margin of ½ per cent over Singapore interbank offered rates for the first year, rising successively to ⅝ per cent in the second year and ¾ per cent in the third, a spokesman for Chase Manhattan said yesterday.

Elders announced earlier this month that it had raised its stake in Carlton United to 57.4 per cent and intended to launch a cash and formal share offer for the remainder in January.

● Further evidence of the appetite of international banks for loans from Western European borrowers has come with the success of a £30m credit for Centrale Nucléaire Européenne à Neutrons Rapides. The loan is to be increased to at least £40m after more than £25m was raised in syndication.

Such a response is rare in the syndicated loan market even for a relatively small deal such as this. The credit bears an initial margin of ⅜ per cent rising in stages to ⅝ per cent in the course of its 10 year life. It is led by County Bank, Crédit Lyonnais and Sanwa Bank and guaranteed by French, German and Italian electric utilities.

Y20bn bond for Asian Development Bank

BY MARY ANN SIEGHART IN LONDON

THE ASIAN Development Bank made its 12th foray into the Samurai market yesterday with a Y20bn bond led by Nomura Securities.

The 12-year issue has an average life of 10.32 years and pays a semi-annual 7.8 per cent coupon at a price of 99.35. This gives a yield to maturity of just over 7.8 per cent.

Turnover was minimal in the Eurodollar secondary market. Prices of a few bonds edged up through dealers covering their short positions.

Prices in Switzerland and Germany rose by up to ½ point in quiet trading.

BHF Bank bond average		
Dec 21		Previous
97.967		97.914
High	1983	Low
102.017		97.899

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 21.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex O/S Fin 10¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.62
Australia Comm 11¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.18
Australia Comm 11⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.14
Australia Comm 11¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.13
Bank of Tokyo 11 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.48
Bank of Tokyo 11⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.32
British Col Hyd 10¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.50
Britoil Fin 11⅛ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.08
Canada 10⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.29
C.C.C.E. 12¾ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.73
C.I.B.C. 11 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.72
Citicorp O/S 10⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.50
Citicorp O/S 11⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.35
Cred Suisse BAH 10½ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.94
Den Norske Cred 11⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.65
Denmark Kingdom 12⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.91
E.C.S.C. 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.18
E.D.F. 11½ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.70
E.E.C. 11 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.66
E.I.B. 10⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.52
E.I.B. 11 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.36
Exportfinans 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.41
Electrolux 10⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.24
Fuji Int Fin 10⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.65
GMAC O/S Fin 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.41
Honeywell Int 10⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.69
IC Indust Fin 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.51
Indust Bk Japan 11⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.32
ITT Finance 11½ 89 WW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.86
Japan Air Lines 10⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.21
Japan Air Lines 11 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.07
J.C. Penney 11⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.80
J.P. Morgan 11¾ 90 WW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.05
Levi Strauss Int 11 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.88
L.T.C.B. 10⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.51
L.T.C.B. 12½ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.33
Merrill Lynch 10⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.08
Mitsubishi Fin 11⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.62
Nippon Credit 11 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.66
Nippon Credit 11⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.54
Ontario Hydro 10⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.78
Ontario Hydro 11⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.59
Pacific Gas & Elec 12 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.63
P.K. Banken 12 90 WW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.84
Prudential 10⅞ 93 WW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.95
Prudential 10⅝ 93 XW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.91
Quebec Hydro 11½ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.88
Saskatchewan Pr 10⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.87
Sears O/S Fin 11½ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.15
Sears O/S Fin 11⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.03
Sth Cal Edison 10¾ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.58
Sumitomo Fin 10⅝ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.61
Tenneco Capital 10⅝ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.52
U.B.S. 10 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	10.45
World Bank 11⅛ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.54
World Bank 11⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.24
World Bank 11½ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.18
World Bank 12 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12.13

Av. price changes: on day 0, on week -⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Arab Banking Corp 8 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.08
Asian Dev Bk 8½ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.53
Austria, Rep 7⅝ 89	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.38
Austria, Rep 8 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.85
Avon Int Fin 7⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.34
Barclays O/S 8⅜ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.29
Beatrice Foods 7⅝ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.32
B.F.C.E. 8⅛ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.83
Dresdner Finance 4 90 WW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	2.73
Dresdner Finance 4 90 XW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.34
E.C.S.C. 8 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.91
E.C.C. 8⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.28
E.I.B. 8 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.26
Eurofima 7½ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.48
Europarat 8⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.36
Finland Rep 8 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.24
Int Standard Ele 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.42
Ireland 8⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.66
Japan Dev Bank 7⅝ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.36
L.T.C.B. 8 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.91
Renault Acceptance 8 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.32
S.N.C.F. 8⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.20
VEBA Int Fin 4 93 WW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.26
VEBA Int Fin 4 93 XW	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.94
World Bank 7⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.92
World Bank 7⅝ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.82

Av. price changes: on day -⅛, on week -⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amax O/S Fin 7⅝ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.45
Bank of Tokyo 6 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.62
[illegible] 5⅝ 95	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.67
Denmark 6⅜ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.98
E.E.C. 6 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.77
Europarat 6⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.31
Ind Fund Finland 6⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.05
Int-Am Dev Bk 6 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.19
Ireland 6⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.57
Japan Dev Bank 5⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.58
Jap Highway Pub 5⅞ 97	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.60
Kansai Ele Power 6 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.68
Kawasaki Steel 6⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.91
Manitoba Prov 5⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.31
Mont Blanc Tnl 6⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.98
Mount Isa Finance 6 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.58
MTG Bk Denmark 6⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.31
New Brunswick 5⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.54
Nippon Tel & Tel 5⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.47
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.81
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.60
Quebec Province 5⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.64
Shikoku Elec Power 6 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.66
Sumitomo Heavy Ind 6 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.67
Tokyo Elec Power 5⅛ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.62
[illegible] 6⅛ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	8.10

Av. price changes: on day -⅛, on week -⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Australia 8⅛ 92	15	[illegible]	[illegible]	[illegible]	[illegible]	7.58
E.I.B. 8⅛ 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int Am Dev Bk 7⅞ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Zealand 7⅝ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 7¾ 93	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Av. price changes: on day 0, on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
British Col Hyd 12 93 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can Credit 12¼ 90 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Loblaw 12½ 90 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TB MTG Corp 12½ 88 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quebec Hydro 12¾ 93 C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Trustco 12⅝ 88 C$	50†	101	101½	0	0	12.25
World Bank 12⅝ 90 C$	75†	99¾	100⅝	0	-0⅛	12.28
E.E.C. 11 93 ECU	50	100	100⅝	-0⅛	-0¾	10.93
Genfinance 11 90 ECU	60	98⅞	99⅝	+0⅛	+0⅛	11.14
Algemene Bank 8¾ 88 Fl	150	102⅝	102⅞	-0⅛	-0⅛	8.03
Bank Mees & Hope 9 88 Fl	75	102⅞	103⅜	0	-0⅛	8.16
Elect Sup Brd 8¾ 88 Fl	75	97½	97⅞	0	-0⅛	9.47
P.H.P. 8¾ 88 Fl	50	102¼	102¾	0	0	8.06
Swed Exp Cred 7⅞ 88 Fl	100	96⅝	97⅛	0	+0¼	8.64
World Bank 9 88 Fl	100	103	103½	+0⅛	-0⅛	8.12
O.K.B. 14 88 FF	400	101⅞	102⅜	+0⅛	0	13.82
Solvay & Cie 14⅝ 86 FF	200	102⅛	103⅛	+0⅛	0	13.22
B.F.C.E. 11½ 88 £	50	98⅝	99½	+0⅛	0	11.72
British Oxyg 11¾ 91 £	50	99⅞	100⅝	0	+0⅛	11.64
CEPME 11¼ 95 £	35†	103	104	0	+0¼	10.68
CIBA-Geigy Int 8⅞ 93 £	25	99½	100⅜	+0½	+1⅜	8.73
E.E.C. 11⅞ 91 £	50	100½	101½	+0⅛	0	11.65
E.E.C. 11⅞ 93 £	50	100½	101¼	+0⅛	0	11.70
Fin-Fer Ind 10½ 90 £	20	94⅝	95⅝	0	-0⅛	11.62
Finland Rep 11⅞ 88 £	50	100⅛	100⅝	0	0	11.69
Gen Elec Co 12½ 89 £	50	103⅜	104⅜	0	-0⅛	11.37
I.I.I. 10⅞ 93 £	25	94⅝	95⅝	+0⅛	+0⅛	11.57
I.I.I. 11½ 91 WW £	50	99	100	+0⅛	-0⅛	11.59
Mort Bk Fin 11¾ 89 £	15	97⅞	98⅞	0	0	12.14
Norsk Hydro 12 90 £	30	100½	101½	+0⅛	+0⅛	11.75
Sweden 11¼ 93 £	50	98¼	98⅞	0	+0⅛	11.49
Swed Exp Cred 11⅛ 88 £	30	98⅛	99	0	0	11.61
World Bank 11⅛ 88 £	100	98½	99⅛	0	0	11.41
Eurofima 10 91 LuxFr	500	99⅝	100⅝	+0⅛	0	10.06
Europarat 10⅝ 93 LuxFr	600	100⅛	101½	0	+0⅛	10.62

FLOATING RATE NOTES	Spread	Bid	Offer	C.date	C.cpn	C.yld
Allied Irish Bk 5¼ 95	0¼	98	98¼	8/6	5¼	5.35
Banco di Roma 5¼ 90	0¼	99½	99¾	7/6	5¼	5.27
Belgium 5 2004	0⅛	99½	99¾	9/1	5	5.07
B.F.C.E. 5¼ 88	0¼	99⅝	99⅞	26/1	10.18	10.28
C.C.F. 5¼ 95	0¼	99¾	99⅞	7/4	9.94	9.99
C.C.F. 5¼ 98	0⅛	99⅝	100	24/3	10.19	10.20
CEPME 5¼ 88 WW	0¼†	99⅝	99⅞	3/3	10.31	10.34
C.N.C.A. 5¼ 95 XW	0¼	99½	99¾	7/6	10½	10.54
C.N.T. 5¼ 91	0¼	99⅝	99⅞	6/5	10.19	10.24
Credit Foncier 5¼ 93	0¼	99½	99¾	6/4	10	10.04
Credit Lyonnais 5¼ 94	0¼	99⅝	99⅞	5/1	10.31	10.34
Credit Lyonnais 5¼ 97	0¼	99⅝	99⅞	1/4	10	10.05
Denmark 5¼ 90	0¼	99¼	99½	13/4	10	10.06
Dresdner Fin 5¼ 93 XW	0¼	99⅞	100⅛	19/4	9.94	9.94
E.D.F. 5¼ 95 XW	0¼	99⅝	100	10/2	11⅜	11.39
E.E.C. 5 90	0¼	100	100¼	5/1	10.19	10.17
First Interstate 5¼ 95	0¼	99⅞	99⅝	6/3	5¼	5.25
Fuji Int'l 5¼ 98	0¼	99⅝	99⅞	12/1	5⅛	5.27
GZB 5¼ 98	0⅛	99⅞	99⅞	29/5	5¼	5.29
Hispano 5¼ 95	0¼	97⅞	98	28/4	10	10.22
NZ-Steel Dev 5¼ 92	0¼	99⅞	100⅛	22/12	10⅛	10.25
Saitama Int 5¼ 93	0¼	99⅝	100	5/6	5¼	5.26
Soc Generale 5¼ 90 XW	0¼	99½	99¾	5/5	10.31	10.35
Sweden 5¼ 93	0¼	100⅛	100⅜	3/2	11.18	11.16
Sweden 5¼ 2003	0¼	99¼	99½	17/5	5⅛	5.28

Av. price changes: on day 0, on week 0

CONVERTIBLE BONDS	Conv. date	Conv. price	Bid	Offer	Chg. day	Prem
Bridgestone Tire 5½ 96	3/82	470	135¼	137⅝	+4⅛	4.33
Canon 7 97	7/82	680.2	243½	245½	-3½	-1.31
Daiwa Sec Co 5½ 98	10/83	461.8	94⅞	96⅛	+0⅜	-3.48
Fanuc 3⅜ 98	1/84	9142	118⅝	119⅞	-0½	8.35
Hitachi Cable 5⅛ 98	2/82	515	112	113½	-1⅝	-2.78
Honda Motor 5⅛ 98	6/83	894	125	126	-0⅛	1.06
Honda Motor 5½ 97	3/83	758.6	143⅞	145⅝	-0⅛	0.19
Konishiroku Photo 4 98	10/83	673	101⅛	102⅛	+1½	4.06
Kyowa Hakko 6¼ 97	2/83	762	110⅞	112⅞	+2⅛	17.08
Minebea Co Ltd. 5½ 98	5/83	987	110½	111½	+1⅛	1.26
Mitsubishi Electric 5¼ 98	6/83	396	108⅞	110⅞	+2⅛	6.23
Mitsubishi Heavy 4⅜ 98	1/84	253	107⅝	108⅝	+6⅛	4.89
Nippon Electric 5⅛ 97	2/82	765.9	180½	182½	-1⅛	-8.35
Nippon Oil Co 5½ 98	4/83	964	114	115	-0⅛	-5.15
Nissan Motor 5⅜ 98	4/83	780	105½	106½	+0⅛	8.40
Olympus Optical 6⅝ 97	12/82	1157	109⅝	111⅛	-0½	-6.25
Orient Leasing 5¼ 98	6/83	2660	88⅞	89⅞	-0½	-0.21
Secom 5 98	11/83	2920	145¼	146⅞	-1⅛	-2.83
Yamaichi Sec Co 5 98	8/83	449.5	95⅛	97⅛	0	-1.95
Yamanouchi Pharm'cal 4 90	10/83	1896	101⅛	102⅛	+0⅛	16.24
Bridge Oil 4⅜ 93 SF	3/84	3.43	166½	168½	+2½	17.12
Sattsu Paper 3⅝ 93 SF	9/83	716	101½	103½	+1	14.85
Maics 5 92 DM	12/83	520	112⅞	113⅞	+2⅛	8.47
Konishiroku 6⅛ 88 DM	6/82	616	123	124	+0⅛	-2.98
Sun Realty 6¼ 92 DM	2/83	365	132¼	133¼	+2⅛	-3.43

* No information available-previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cov. date – First date for conversion into shares. Cov. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

VONTOBEL EUROBONDINDIZES

WEIGHTED AVERAGE YIELDS

PER 20 DECEMBER 1983

	Today	Index Last week	Year's High	Year's Low
US$ Eurobonds	11.79	11.88	12.54	11.23
DM (Foreign Bond Issues)	7.53	7.44	7.79	7.23
HFL (Bearer Notes)	8.07	8.00	8.67	7.43
Can$ Eurobonds	12.68	12.64	13.55	12.53

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